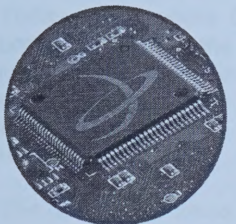
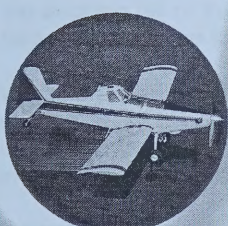
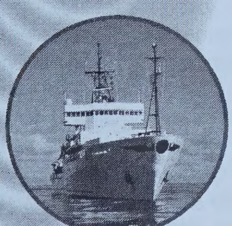
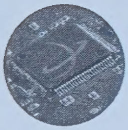






Annual Report 2007

Hemisphere GPS®



Annual General Meeting

The Annual General Meeting will be held on Thursday, May 15, 2008 at 2:30 pm MST at the Calgary Telus Convention Centre, Rm. 101/102 (main level of the north building), 136 Eighth Avenue SE., Calgary, Alberta

MESSAGE TO SHAREHOLDERS

At the beginning of 2007, we were completing a strategic transition from a combination GPS and wireless company, to a singularly focused GPS company. Accordingly, we sold our wireless businesses and formally changed our name from to Hemisphere GPS. By the end of 2007, the transition was complete. Today, Hemisphere GPS is a market leader with significant competitive advantages and intellectual property. We own the Outback®, Satloc and Del Norte, and now BEELINE brand names, and maintain a leadership position in after-market precision agriculture GPS applications. With more than half of the global market share today, the Outback product line has quickly come to dominate after-market agricultural guidance. In 2007, the agriculture revenue segment contributed over 85% of total GPS revenues.

The decision to focus exclusively on GPS was made based on the strengths of our GPS technology and products, our market share leadership and sound industry reputation in our key markets of ground agriculture, air, and marine navigation. Leveraging these strengths in 2007 we forecasted we could grow the business at least 20%. As a result of our focused operations and unprecedented strength in the agriculture sector, we actually grew the business 32% (in constant US dollars). Even after translating our US dollar sales into Canadian dollars our revenue growth was reported as 27%, with record revenues of $58.1 million, compared to $45.9 million in 2006.

While 2007 revenues increased by 27%, operating expenses increased by only 5%, demonstrating the scalability and profitability potential of Hemisphere GPS' business model as revenues grow.

We closed 2007 on a very strong note. In fact, revenues for the fourth quarter of 2007 increased 68% year-over-year. More important was the actual growth of the business in the quarter, which is masked by the ongoing fall of the US dollar, given we record all of our sales in US dollars. The actual year-over year sales growth in the fourth quarter when measured in constant US dollars was actually 84%.

We also experienced very positive growth from outside of North America in the fourth quarter and 2007 in general. International sales delivered dramatic growth of 165% (179% in US dollars) in the fourth quarter compared to 2006 – and 90% year-to-date. International sales accounted for approximately 30% of sales in 2007, up from 20% in 2006, with particular strength in Europe, Australia and South America.

Q4 came in with strong sales growth from all of our product lines of Air, Ground Agriculture and Precision Products. Our business has been very healthy primarily as a result of the increased strength of the overall agricultural industry. Given the robust harvest, and strong commodity prices, farming operations have experienced increasing cash receipts, enabling them to invest in farming equipment and technology. As a result, we experienced very strong demand for our Ground Agriculture and Air products in 2007.

Our precision agriculture line of products helps farms of all sizes increase their productivity and reduce the amount of costly inputs such as fertilizer, pesticides, fuel and the farmer's time – at the same time, significantly reducing the fatigue and stress arising from equipment operation. While this industry is only a few years old, it is clearly the future of the agriculture market. We are experiencing robust demand and generating record sales of our industry leading GPS products. With the strengthening agriculture commodity prices, we are seeing increasing technology adoption in the agriculture sector which creates an optimistic outlook for our business.

At the close of 2007 the US Department of Agriculture ("USDA") reported that average prices received by US farmers in December 2007 for corn, increased year over year, by 29%. Soybeans increased by 68%, and wheat had increased by 108%. The USDA says increasing prices are purported to be driven by falling inventory levels and increasing global demand.

On the expense side of farming operations, higher input costs, particularly relating to fuel, seed, and fertilizer, also increased in 2007. The USDA forecasts farm expenses to be 9% higher in 2008. While higher input costs negatively impact discretionary farming income, it also represents an opportunity for us given the efficiency gains that our offerings provide in helping producers improve efficiency and spend less on input costs.

PRODUCTS

We believe the agricultural guidance market will continue to rapidly expand. With increasing accuracy and lower cost, GPS adoption will accelerate on large and small farms. And we are just in the early stages of technology adoption within this market. Our product roadmap for this market will address the dramatic evolution that we will see over the next decade.

Hemisphere GPS has become a much more effective development company than in the past. In 2007 Hemisphere GPS was awarded several new patents and released a total of 12 new products including new guidance and auto steering products, boom control, antennas, and our new Eclipse™ dual frequency receiver platform.

Today our Outback Guidance product line addresses the market spectrum from the low-cost entry level guidance products for smaller farms, to high-level centimetre accuracy. In early 2008 Hemisphere GPS released the Outback S3™, the next generation in Outback Guidance. The Outback S3 is loaded with features and the latest technology and is extremely user friendly, employing a color touch screen. It is expandable to work with other Outback products such as the Outback eDriveTC™ GPS assisted steering system which automatically steers the tractor. Combined with BaselineHD™, Outback S3 provides centimetre-level accuracy. Outback S3 is also expandable to work with our new Outback AutoMate™, an automatic boom control system that monitors and controls individual sprayer sections to minimize overlaps and skips. To complement guidance and visual awareness, auto-steering adoption in agriculture increased significantly during 2007. The Outback eDriveTC is now the highest revenue producing product for Hemisphere GPS.

Through 2007 we became better positioned with an ever expanding product portfolio to service our customer target segments. We began to target very specific market segments rather than offering a "one-size fits all" approach. The launch of our new entry-level Outback SLite™, a sub-one thousand dollar product, and our new high end Outback S3 visual awareness guidance platform, illustrates our strategy of positioning the right product to the right segment of the agriculture market. We now address from the entry level market all the way up to centimetre level high precision guidance with automatic steering, visual awareness, and boom control.

To further support our customers, Hemisphere GPS also introduced a new financing program for its Outback Guidance products in North America. The program assists customers spread their investment in Outback Guidance products over time, and enables buyers to increase their investment in cost saving, higher accuracy guidance, upgraded with the latest auto-steering technologies.

While both Ground Agriculture and Air represent a significant part of Hemisphere GPS' business, we are also leaders in other vertical markets such as marine. We have seen tremendous growth in our Vector product line for marine markets, which provide precision heading and positioning for marine navigation and a variety of other applications. The Crescent® Vector Series GPS compasses are practical, affordable, accurate, and reliable alternatives to traditional gyro compasses.

OEM

Hemisphere GPS is also a significant supplier of GPS products to agricultural original equipment manufacturers ("OEMs") that install our products on their factory floors. Our OEM customers include CLAAS KgAa mbH – one of the world's largest agricultural machinery manufacturers, and Stara S.A. from Brazil.

Hemisphere GPS' acquisition of BEELINE at the end of 2007, described more fully below, also complements our longer term OEM strategy by immediately increasing our presence in the OEM market. BEELINE has a long standing OEM partnership with AGCO Corporation, a worldwide manufacturer and distributor of agricultural equipment with over a century of experience in the field. Through the acquisition of BEELINE, we provide OEM auto-steering applications for AGCO tractor brands including Fendt, Challenger, Massey Ferguson and Valtra.

BEELINE

In December 2007 we closed the acquisition of BEELINE Technologies of Australia for US$21 million in cash and shares. A subsequent $17.5M financing, also closed in December, enabled us to acquire BEELINE and still close the year with more than $13 million cash on our balance sheet, and working capital of over $26 million. This was a fantastic development for us and we are grateful for the strong market support for the financing.

BEELINE is a software company. Their software provides the intelligence needed for very high-end high-precision GPS guidance and auto-steering for agriculture equipment. BEELINE is also capable of unmanned vehicle control, addressing applications for mining, construction and military market verticals. These are all markets of interest for Hemisphere GPS.

BEELINE's core software for agriculture utilizes highly accurate "steer-by-wire" technology, which addresses the high-end precision agriculture markets, and expands the spectrum of our product offerings on a complementary basis to the rest of our existing portfolio. BEELINE's software solution will be integrated with Hemisphere GPS' leading Outback products and our Crescent and Eclipse technologies, furthering our strategy of providing products that address the entire market spectrum - from entry level guidance to highly accurate auto-steering. The addition of BEELINE aligns with our goal of being the world's premiere supplier of GPS guidance and auto-steering products for agriculture.

The BEELINE acquisition was a great strategic move for us. It has proven to be a very smooth integration and confirmed the strength of the BEELINE team. Much of the integration work for BEELINE has now been completed and we are very excited about the synergistic opportunities we can now pursue as a unified team.

In closing, 2007 finished on a very strong note for Hemisphere GPS. GPS guidance has now moved to the forefront of farming operations. We have seen increased adoption of GPS guidance and auto-steering by farmers wanting to improve yields and lower input costs. The core requirements for delivering growth to our agriculture sales of high grain prices, increased cash receipts for farmers, pressures from increased input costs, acceptance of precision agriculture technology and practices in farming, all demonstrated great strength at the end of 2007.

Thank you for your continued support. I look forward to reporting to you on our progress during 2008.

Steven Koles
President & Chief Executive Officer
Hemisphere GPS Inc.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 31, 2007

The following discussion and analysis is effective as of March 14, 2008 and should be read together with our audited annual consolidated financial statements and accompanying notes. Additional information related to Hemisphere GPS Inc.("Hemisphere GPS" or the "Company"), including the Company's Annual Information Form, can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") on the internet at www.sedar.com.

Overview

Hemisphere GPS Inc. was formerly named CSI Wireless Inc. The Company received shareholder approval to change the name of the Company to Hemisphere GPS Inc. at the Special and Annual General Meeting of its shareholders on May 9, 2007. References throughout this document to Hemisphere GPS, Hemisphere, or the "Company" all refer to Hemisphere GPS Inc. and its subsidiaries.

The Company is engaged in the design, manufacture and sale of innovative, cost-effective GPS products for positioning, guidance and machine control applications in agriculture, marine and other markets. Hemisphere GPS has three primary product lines: ground agriculture products, aerial agriculture products and precision products for non-agriculture markets, including marine and geographic information systems ("GIS").

On December 20, 2007, the Company announced that it had acquired all outstanding shares of Beeline Technologies Pty Ltd. ("BEELINE"), which complemented Ground Agriculture products in agricultural markets and provided access to new vertical markets.

Prior to 2006, the Company also carried out activities through its Wireless Business Unit, which included two primary product lines: Fixed Wireless Telephones and Telematics products. In early 2006, the Company announced its plans to exit the activities associated with its Wireless Business Unit. During 2006, the Company sold the Fixed Wireless Telephone product line and the Asset-Link Telematics product line. The activities associated with the Wireless Business Unit have been treated as discontinued operations in the financial statements for 2007 as more fully described later in this Management Discussion and Analysis ("MD&A").

Economic and Market Trends

A large portion of the Company's products are utilized in agricultural markets. Conditions in the agricultural markets were generally positive in 2007. The US Department of Agriculture ("USDA") reports that average prices received by US farmers in December 2007 for corn, soybeans, and wheat had increased by 29%, 68%, and 108% respectively compared to the average prices received in December 2006. Increasing prices are believed to have been impacted by lower inventory levels and increasing global demand, in part arising from growing demand for ethanol and other grain-based biofuels. The USDA also reports that farm sector production established a new record in 2007. As a result of higher prices and higher production, the USDA

The information in the Management's Discussion and Analysis (MD&A) contains certain forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control, including: the impact of general economic conditions; industry conditions; changes in laws and regulations and changes in how they are interpreted and enforced; fluctuations in foreign exchange and interest rates; stock market volatility and market valuations; competition for, among other things, capital and skilled personnel; incorrect assessments of the value of acquisitions; stock market volatility and market valuations and changes in income tax laws. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits the Company will derive from them. Except as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements.

has forecasted 2007 "net farm income" to be US$87.5 billion, up 48% from 2006 and 52% higher than the 10 year average. The USDA projects continued long term growth of net farm income to US$100 billion by 2017.

Agriculture markets in 2006 were impacted by dry weather conditions in certain parts of North America, Australia, Brazil, Africa and China. In addition, higher input costs, particularly relating to fuel, seed, and fertilizer, continued to impact these markets during 2007. The USDA forecasts farm expenses to be 9% higher in 2008.

The Company's revenues and income have been negatively impacted by the strengthening of the Canadian dollar relative to the US dollar since 2003. The average foreign exchange rate for 2007 declined by 5% compared to the average rate for 2006. Similarly the average foreign exchange rate declined relative to the prior year by 6% in 2005 and 7% in each of 2004 and 2003. As a result of these movements, the Company's Canadian dollar revenues, which are substantially all denominated in US dollars, were lower than they would have been had the foreign exchange rate not changed. Further, because a component of the Company's costs are denominated in Canadian dollars, the loss realized in 2007 was lower than it would have been had foreign exchange rates not changed.

Results of Operations

	Years Ended December 31		
(000's)	**2007**	**2006**	**2005**
		(audited)	
Sales	$ 58,098	$ 45,908	$ 32,677
Gross margin	27,431	18,517	13,184
	47.22%	40.30%	40.30%
Expenses			
Research and development	5,280	4,741	3,949
Selling	9,924	9,305	5,832
General and administrative	5,956	5,664	5,181
Stock-based compensation	666	757	769
Amortization	2,409	2,509	1,854
	24,235	22,976	17,585
Earnings (loss) before the undernoted	3,196	(4,459)	(4,401)
Gain on sale of marketable securities	39	(1,050)	–
Foreign exchange loss	674	643	789
Interest income	(417)	(221)	(139)
Restructuring charges	–	1,043	–
Legal fees on settlement of lawsuit	3,196	266	87
Earnings (loss) before income tax	(296)	(5,140)	(5,138)
Loss from discontinued operations	305	14,747	6,900
Net and comprehensive loss	$ (601)	$ (19,887)	$ (12,038)
Earnings (loss) per common share from continuing operations:			
Basic and diluted	$ (0.01)	$ (0.11)	$ (0.12)
Earnings (loss) per common share:			
Basic and diluted	$ (0.01)	$ (0.43)	$ (0.29)

	As at December 31		
	2007	2006	2005
Total assets	98,631	65,822	90,189
Long-term debt	–	301	784

Year Ended December 31, 2007 versus Year Ended December 31, 2006

Beeline Acquisition

On December 20, 2007, the Company completed the acquisition of all outstanding common shares of Beeline Technologies Pty Ltd. ("Beeline"). Beeline, based in Brisbane, Australia, was a precision guidance software developer, providing intelligent high-end GPS guidance and auto-steering solutions for agriculture equipment and autonomous control solutions for other machine control applications including the mining and constructions verticals. Total consideration paid was $21.6 million and the operations of Beeline will be integrated into the Ground Agriculture operating segment of the Company. Additional details relating to the acquisition are included in note 2 of the consolidated financial statements.

Del Norte Acquisition

On January 19, 2006, the Company announced that it had completed the acquisition of the business assets of Del Norte Technology, Inc. ("Del Norte"). Del Norte was a competitor in the aerial agriculture guidance market with over 20 years of experience in designing and manufacturing specialized GPS products for the aerial guidance market -- primarily crop dusting or aerial spraying. Hemisphere GPS purchased the Del Norte business assets for cash of US$940 thousand. Additional details relating to the acquisition are included in note 2 of the consolidated financial statements.

Discontinued Operations

In the fourth quarter of 2005, the Company commenced activities to restructure and dispose of its Telematics product line, which was a component of the Wireless Business Unit. On April 24, 2006, the Company announced it had signed a definitive agreement to sell its Fixed Wireless Telephone product line to Telular Corporation. The transaction closed on May 8, 2006. On November 26, 2006, the Company signed a definitive agreement to sell its Asset-Link Telematics product line to CHI-Agra Products Inc. The transaction closed on December 18, 2006. On July 28, 2006, the Company announced that it had signed an agreement to sell the Location Tag Telematics product line to Trace Technologies, LLC. This transaction has not closed due to circumstances impacting Trace and which are out of the control of the Company. During the third quarter of 2007, the Company terminated the agreement with Trace and received a deposit of $125 thousand that had been paid by Trace and held in escrow.

There are no continuing operational activities associated with the discontinued operations following the divestments of the Asset-Link and Fixed Wireless Telephone product lines, however, Management expects that there will be continuing cash flows related to:

(a) settlement of the remaining assets and liabilities of the discontinued operations, which are expected to be completed during 2008; and

(b) the conclusion of legal matters associated with the discontinued operations, the timing of which is not reasonably determinable.

Continuing Operations

Revenues

For the year ended December 31, 2007, revenues were a record for the Company at $58.1 million, an increase of 27% from $45.9 million in 2006. As revenues are substantially all denominated in US dollars, revenue increases in US dollars have been negatively impacted by the weakening US dollar exchange rate relative to the Canadian dollar, which declined approximately 5% on average in 2007 and 6% in 2006. In US dollar terms, revenues increased by 32% when compared to 2006.

In 2007, Hemisphere GPS sales were positively impacted by continued strength in agricultural markets which drove stronger sales of ground and air-based agricultural guidance products. Auto-steering products demonstrated continued strong momentum with the Company's eDriveTC™ product now representing the largest revenue-generating product for the Company. In North America, attach rates for auto-steering to GPS guidance product sales are now over 80%, compared to about 50% in 2006.

Sales to non-agriculture markets in the Company's Precision Products segment, including marine and GIS, grew in 2007 following the incorporation of the Company's Crescent™ technology into the its receiver and Vector heading sensor product lines. In addition, revenue growth has arisen from a focus on expanding the Precision Products sales channels around the world which resulted in an increase in global channel dealers by over 25% during 2007.

Revenues from each of the Company's operating segments were as follows in 2007 and 2006:

(000's)	2007	2006
Ground agriculture	$ 44,977	$ 35,104
Air	5,088	3,582
Precision products	8,033	7,222
	$ 58,098	$ 45,908

Gross Margins

The Company reported gross margins of $27.4 million in the year, an increase of 48% relative to gross margins of $18.5 million in 2006. Gross margins, as a percentage of revenue, were 47.2% in 2007 relative to 40.3% in 2006.

The Company focuses substantial efforts on cost reduction through procurement, manufacturing and design initiatives. During 2007, the Company began to realize the benefit of the outsourcing of certain higher volume components of its products to a manufacturing partner in China, with whom Hemisphere GPS has had a strong relationship for several years. Significant cost reductions have been generated from this initiative with several circuit boards, and now certain finished products, being manufactured by this partner for the Company.

Offsetting the cost reductions realized in 2007 was the impact of the weakening of the US dollar and competitive pricing pressures. While revenues and a large portion of the components purchase are denominated in US dollars, the Company manufactures lower volume products in its Calgary manufacturing facility and incurs the related costs in Canadian dollars. As a result of the Canadian dollar denominated component of its cost of sales, the Company estimates that margins were 1.5 to 2.0% lower than they would have been if foreign exchange rates had remained consistent with 2006. Gross margins were also impacted in 2007 by competitive pricing pressures and increases in certain raw material costs during the year.

Expenses and Other

Operating expenses were $24.2 million in 2007, up by 5% from $23.0 million in 2006. On a percentage basis, operating expenses were 42% of revenue in 2007 versus 50% in 2006. Comparing the 27% increase in revenues with the 5% increase in operating expenses demonstrates the scalability and profitability potential of Hemisphere GPS' business model as revenues increase.

Research and Development Expenses

Research and development expenses in 2007 were $5.3 million compared to $4.7 million in 2006 representing an increase of 11%. Prior to the acquisition of Beeline, the Company has targeted research and development costs to be 10% of revenue in order to maintain an appropriate investment level to maintain and expand its portfolio of technology and products. 2007 research and development expenses were 9% of revenue as compared to 10% in 2006. Following the acquisition of Beeline, which included a highly experienced engineering team, the Company now targets its investment in research and development to be 11 to 12% of revenue in 2008.

Many of the research and development costs incurred in Canada qualify for scientific research and experimental development income tax treatment. This includes the elective deferral of research and development expenses and the eligibility for such expenses to earn investment tax credits. Research and development costs incurred in the United States and Australia also qualify for tax credits and other income tax concessions in certain circumstances.

Selling and General and Administrative Expenses

Sales and marketing expenses were $9.9 million in 2007, up by 7% from $9.3 million in 2006. General and administrative ("G&A") expenses of $6.0 million, prior to the legal expenses discussed below, increased by $0.3 million or 5% from $5.7 million in 2006. While additional expenses result from increased revenue and activity levels, the increase in costs in both categories is moderate relative to revenue growth.

During the third quarter of 2007, Hemisphere GPS was awarded a non-infringement judgment in a patent infringement lawsuit originally initiated by Trimble Navigation Ltd. in 2002. Following this positive decision, a confidential settlement agreement was concluded between Hemisphere GPS and Trimble, whereby all other outstanding patent infringement lawsuits between the companies were dismissed, including the counterclaims filed by Hemisphere GPS. The Company incurred $3.2 million of legal expenses related to this matter in 2007 compared to $266 thousand in 2006. The Company has reclassified the legal expenses associated with the Trimble legal action in the Consolidated Statements of Operations in order to reflect the impact of these costs on current and past financial results.

Amortization Expense

Amortization expense was $2.4 million in 2007, a decrease of $0.1 million or 4% from $2.5 million in 2006.

Gain on Sale of Marketable Securities

During the second quarter of 2007, the Company sold 150,990 common shares of Telular Corporation that it had received in connection with the earn-out provisions included in the agreement under which the Company's Fixed Wireless Telephone business was sold to Telular in the second quarter of 2006. Net proceeds of disposition for the sale were $600 thousand, giving rise to a loss on sale of approximately $39 thousand.

In December 2006, the Company sold 1,931,745 common shares of Telular Corporation that it had received as a component of the proceeds for the sale of the Fixed Wireless Telephone product line following the expiry of the six month hold period on the shares. Net proceeds of disposition for the sale were $7.2 million, giving rise to a gain on sale of approximately $1.0 million.

Interest and Foreign Exchange

In 2007, the Company recorded interest income of $417 thousand compared to interest income of $221 thousand in 2006. Throughout the year the Company earned interest income on its cash balance, which was offset by interest expense on capital leases and long-term debt. Interest expense was lower in 2007 as a result of repayment of the outstanding long term debt in early 2007 and declining balances owing on capital leases.

The Company realized a foreign exchange loss of $674 thousand during 2007 compared to a loss of $643 thousand in 2006. This loss relates primarily to the impact of the continued weakening of the US dollar on the translation of US dollar denominated working capital into Canadian dollars. Hedging payments of $2.1 million were received during the year and are netted against the foreign exchange loss.

In addition to the foreign exchange translation loss, the strengthening Canadian dollar also impacted the reported amount of revenues and expenses in each category of the Consolidated Statement of Operations and Deficit where a component of the category is denominated in US dollars.

Restructuring Costs

Restructuring costs of $1.0 million were incurred in 2006 associated with senior management changes and corporate restructuring activities related to the transition of the Company to a pureplay GPS strategy. There were no restructuring costs in 2007.

Income taxes

For the year ended December 31, 2007, the Company did not record any amounts related to income taxes.

In Canada, at the end of 2007, Hemisphere GPS Inc. has loss carry forwards of $9.0 million that can be used to reduce Canadian taxable income in future years, as well as investment tax credits in the amount of $2.2 million that can be used to reduce Canadian federal taxes otherwise payable in future years.

The Company's US operating subsidiaries, Hemisphere GPS LLC and CSI Wireless LLC, file as a combined entity for US federal tax purposes. At December 31, 2007, the Company has cumulative US net operating losses of $27.7 million that can be used to reduce US taxable income in future years, as well as $3.0 million of general business credits that can be used to reduce federal taxes otherwise payable in future years.

Discontinued Operations – Wireless Business Unit

The Company recorded a loss from discontinued operations of $0.3 million for the year ended December 31, 2007 compared to a loss of $14.7 million in 2006. As previously described, these amounts represent the results of operations of the Fixed Wireless Telephone and Telematics product lines which were previously operated as the Company's Wireless Business Unit.

Summarized annual results for the discontinued operations are as follows:

(000's)	2007	2006
Sales	$ –	$ 16,598
Gross margin	–	2,303
Operating expenses	479	8,388
Loss before the following	479	6,085
Gain on sale of patents	(165)	–
Impairment of property and equipment	116	–
Other income	(125)	–
Gain on sale of product lines	–	(383)
Severance and wind-down costs	–	1,071
Interest income	–	(26)
Goodwill impairment	–	8,000
Loss from discontinued operations	$ 305	$ 14,747

Revenues from discontinued operations declined from $16.6 million in 2006 to nil in 2007 due to the strategic decision of the Company to exit the Wireless product lines during 2006. Operating expenses declined for the same reason.

2007 operating expenses relate to legal expenses associated with legal matters arising prior to the divestment of the Wireless product lines which have been previously disclosed.

In 2008, the Company has concluded a settlement agreement relating to a lawsuit filed in February 2007 relating to amounts receivable from fixed wireless telephone sales in late 2005 and early 2006. As a result, following the first quarter of 2008, no further legal fees are anticipated relating to this matter.

On October 21, 2006, the Company announced that Longview Advantage, Inc., a former customer of the Telematics product line filed a lawsuit against the Company claiming damages of $35 million. The Company believes that this legal claim is without merit and is aggressively defending its position. A Statement of Defense was filed in March 2007, together with a counter-claim against Longview to recover damages that the Company has incurred in connection with the issues outlined in the legal documents.

During fourth quarter of 2007, the Company completed the sale of patents relating to wireless technology for proceeds of $165 thousand.

Fixed Wireless Telephone Product Line Divestment

On April 24, 2006, the Company announced that it had signed a definitive agreement to sell its Fixed Wireless Telephone ("FWT") product line to Telular Corporation ("Telular") of Vernon Hills, Illinois. The transaction closed on May 8, 2006. Proceeds of disposition related to the sale were as follows:

- $3.2 (US $2.9) million cash on closing, not including $178 thousand paid for working capital;
- $0.6 (US $0.5) million accounts receivable relating to an agreed inventory reserve; and
- $6.2 (US $5.6) million Telular common shares (1,931,745 shares), with a 6 month hold period.

In addition, the Company received a cash payment of $178,000 for working capital items acquired by Telular Corporation.

Under earnout provisions related to the sale, the Company earned 150,990 additional common shares of Telular Corporation as of December 31, 2006. These additional proceeds, valued at $639,263, were recorded as additional proceeds on the sale of the product line in 2006.

Prior to the divestment of the Fixed Wireless Telephone product line, and in accordance with Canadian generally accepted accounting principles, in the first quarter of 2006 the Company evaluated the carrying value of the assets related to the discontinued operations and recorded an impairment in the goodwill balance of $8 million. At December 31, 2007 and 2006 there is no goodwill carried on the balance sheet relating to the discontinued operations.

Asset-Link Telematics Product Line Divestment

On November 26, 2006, the Company signed a definitive agreement to sell its Asset-Link Telematics product line to CHI-Agra Products Inc. The transaction closed on December 18, 2006. Proceeds for the sale included $12 thousand of cash and a promissory note for $104 thousand.

Location Tag Product Line Divestment

On July 28, 2006, the Company announced that it had signed an agreement to sell the Location Tag Telematics product line to Trace Technologies, LLC ("Trace"). During the third quarter of 2007, as a result of the inability of Trace to complete the divestment transaction, the Company terminated the agreement with Trace which released a deposit of $125 thousand that had been paid by Trace and was being held in escrow. Due to the termination of agreement with Trace, the Company recorded an impairment loss of fixed assets of in 2007 of $116 thousand.

Severance and Wind-down Costs

In connection with the sale of the Wireless Business Unit product lines, and the wind-down of the activities, the Company incurred severance and other wind-down costs of $1.1 million during 2006. There were no such costs in 2007.

Following the sale of the Asset-Link Telematics product line, operating activities related to the discontinued operations have ceased, apart from legal costs that will be incurred in connection with the legal issues discussed.

Balance Sheet

At the end of 2007 there remain some residual assets and liabilities on the balance sheet related to the discontinued operations. Assets are comprised of accounts receivable and liabilities relate primarily to accrued legal fees.

Earnings

In 2007, the Company incurred a loss from continuing operations of $0.3 million or $0.01 per share (basic and diluted), compared to a loss from continuing operations in 2006 of $5.1 million or $0.11 per share (basic and diluted).

The Company realized a net loss of $0.6 million or $0.01 per common share (basic and diluted) in 2007, compared to a net loss of $19.9 million or $0.43 per share (basic and diluted) in 2006.

Summary of Quarterly Results

(000's)	Mar 31 2006	Jun 30 2006	Sep 30 2006	Dec 31 2006	Mar 31 2007	Jun 30 2007	Sep 30 2007	Dec 31 2007
	For the Quarter Ended							
Sales	$ 15,514	$ 16,907	$ 5,617	$ 7,870	$19,505	$ 15,893	$ 9,474	$ 13,226
Gross margin	6,202	8,379	1,055	2,881	9,662	7,415	4,386	5,968
	40%	50%	19%	37%	50%	47%	46%	45%
Expenses:								
Research and development	1,170	1,227	1,134	1,209	1,266	1,296	1,295	1,422
Sales and marketing	2,819	2,342	1,772	2,372	3092	2,203	1,937	2,692
General and administrative	1,290	1,498	1,191	1,684	1331	1,581	1,349	1,694
Stock-based compensation	143	186	215	213	220	185	131	130
Amortization	587	619	638	666	603	562	584	661
	6,009	5,872	4,950	6,144	6512	5,827	5,296	6,599
Earnings (loss) before undernoted items	193	2,507	(3,895)	(3,263)	3150	1,588	(910)	(631)
Gain (loss) on sale of marketable securities	–	–	–	(1050)	–	39	–	–
Foreign exchange (gain) loss	67	762	(133)	(53)	(46)	273	422	26
Interest income	(16)	(94)	(84)	(27)	(74)	(146)	(105)	(92)
Restructuring costs	–	1,043	–	–	–	–	–	–
Legal fees on settlement of lawsuit	40	34	156	37	634	1,061	1,407	94
Earnings (loss) from continuing operations	102	762	(3,834)	(2,170)	2,636	361	(2,634)	(659)
Income (loss) from discontinued operations	(9,257)	(2,929)	(1,978)	(582)	(105)	(122)	(107)	29
Net earnings (loss)	$ (9,155)	$ (2,167)	$ (5,812)	$ (2,752)	$ 2,531	$ 239	$ (2,741)	$ (630)
Earnings (loss) per common share from continuing operations *:								
Basic and diluted	$ 0.00	$ 0.02	$ (0.08)	$ (0.05)	$ 0.06	$ 0.01	$ (0.06)	$ (0.01)
Net earnings (loss) per common share *:								
Basic and diluted	$ (0.20)	$ (0.05)	$ (0.13)	$ (0.06)	$ 0.05	$ 0.01	$ (0.06)	$ (0.01)

** Calculated using quarterly weighted average number of shares outstanding.*

Quarterly results have varied during the past eight quarters due, in part, to the following factors:

1. A large component of Hemisphere GPS revenues are derived from the North American agricultural markets and have historically been impacted by the seasonality of the agricultural buying season with the first half of the year being the strongest and the second half being the weakest. Management is undertaking initiatives to attempt to mitigate the seasonality of the business, including increasing sales efforts in the Southern Hemisphere which is generally counter-seasonal to the Northern hemisphere agricultural seasons.

2. The Del Norte business assets were acquired in January 2006 and the Beeline business was acquired in December 2007. These acquisitions impacted revenues and expenses after the date of their closing.

Quarter Ended December 31, 2007 versus Quarter Ended December 31, 2006

Continuing Operations – Hemisphere GPS

Revenues

Fourth quarter revenues of $13.2 million were an increase of 68% from revenues of $7.9 million in the fourth quarter of 2006. The Company is well positioned to benefit from the positive conditions in the agricultural markets and saw strong revenue growth in fourth quarter sales of ground and air-based agricultural products. In addition, the Company also saw growth from its precision product line in the fourth quarter. On a regional basis, North American sales delivered growth of 40% (53% in US dollars) compared to the fourth quarter of 2006. Sales from outside of North America delivered higher growth of 165% (179% in US dollars) in the fourth quarter compared to 2006.

Gross Margins

Gross margins in the fourth quarter of 2007 were 45% and $6.0 million, compared to 37% and $2.9 million in the fourth quarter of 2006. Gross margins improved from 2006 as a result of product cost reductions from outsourcing, design and manufacturing initiatives. Offsetting this increase was the impact of the weakening US dollar, which is estimated to have negatively impacted gross margins by approximately 2% when compared to the foreign exchange rate from the fourth quarter of 2006.

Expenses and Other

Operating expenses of $6.6 million in the fourth quarter were up 7% relative to $6.1 million in the fourth quarter of 2006. Increases are modest relative to the increase of 68% in revenues. Increases in sales and marketing and research and development related expenses were the primary drivers of the increase. Research and development expenses increased by 18% relative to 2006 as a result of increased activity. Sales and marketing expenses increased by 14% in the fourth quarter as a result of variable costs associated with revenue, such as commissions and increasing promotional activities.

Gain on Sale of Marketable Securities

In December 2006, the Company sold 1,931,745 common shares of Telular Corporation that it had received as a component of the proceeds for the sale of the Fixed Wireless Telephone product line. Net proceeds of disposition for the sale were $7.2 million, giving rise to a gain on sale of approximately $1.0 million. There was no corresponding activity in the fourth quarter of 2007.

Interest and Foreign Exchange

Interest income, net of expense, in the fourth quarter of 2007 was $92 thousand compared to $27 thousand in the same quarter of 2006. The Company earned interest income on its cash balance, which was offset by interest expense on capital leases and long-term debt – which was higher in 2006 due to larger balances outstanding.

The Company realized a foreign exchange loss in the fourth quarter of $26 thousand, compared to a foreign exchange gain in the fourth quarter of 2006 of $53 thousand. The fourth quarter loss in 2007 included $17 thousand foreign exchange loss from Beeline.

Discontinued Operations – Wireless Business Unit

The Company recorded no revenue in the fourth quarter of 2007 compared to revenue of $0.2 million due to the divestment of the Fixed Wireless Telephone and Asset-Link Telematics product lines during 2006.

The Company recorded $165 thousand gain on the sale of the wireless technology patents in the fourth quarter of 2007. In the fourth quarter of 2006 the Company recorded a gain on the sale of the Fixed Wireless Telephone product line of $0.6 million from additional shares received from Telular Corporation and discussed

earlier in this MD&A. In addition, in 2006, the Company recorded a loss of $0.4 million related to the sale of the Asset-Link Telematics product line during the fourth quarter.

The Company recorded net income from discontinued operations of $29 for the quarter ended December 31, 2007 compared to a loss of $0.6 million in the same quarter of 2006.

Earnings

In the fourth quarter of 2007, the Company incurred a loss from continuing operations of $0.7 million, or $0.01 per share (basic and diluted), compared to a fourth quarter 2006 loss of $2.2 million or $0.05 per share (basic and diluted).

The Company incurred a loss of $.6 million, or $0.01 per share (basic and diluted) in the fourth quarter of 2007, compared to a fourth quarter 2006 loss of $2.8 million or $0.06 per share (basic and diluted).

Liquidity and Capital Resources

Working Capital

The Company held cash at December 31, 2007 of $13.3 million compared to $11.2 million at the end of 2006.

The Company has a bank operating line of credit with a maximum limit of $7 million. The available borrowing limit under this operating line is determined based on trade receivables and inventory levels. The utilization of this line of credit draws interest at prime plus 0.5%. The Corporation has entered into a general security agreement with its bank to secure such indebtedness. There were no balances drawn against this line of credit at the end of 2007 or 2006.

In connection with the acquisition of Beeline, the Company entered into a non-revolving term loan facility of $8 million with its bank. The full amount of the loan was drawn on closing of the acquisition on December 20, 2007 and repaid on December 27, 2007 following receipt of the proceeds of the special warrants financing.

Accounts receivable at December 31, 2007 was $7.0 million, versus $5.0 million at December 31, 2006. In North America, the Company's Outback product line is generally sold directly to end customers and these sales typically take place with prepayment by cash, credit card or other financing options. Therefore, the accounts receivable balance represents primarily sales of non-Outback product lines, or sales of Outback products outside of North America. The balance has increased at the end of 2007 as a result of increased revenues. During the fourth quarter, the Company collected US$1.5 million included in accounts receivable at September 30, 2007 from RHS, Inc. related to the indemnification of legal expenses for the Trimble Navigation lawsuit discussed previously in this MD&A.

Inventories consist of components, work in process and finished goods related to the products manufactured and sold by the Company. Inventory levels increased from $11.5 million at December 31, 2006 to $15.1 million at the end of December 2007. The increase in inventory relates to increased revenue levels. During the last half of 2007, the Company built inventory to a level necessary to support expected demand in the strongest selling season which takes place in the first half of the year.

The Company is focused on optimizing its inventory levels. During December 2006, the Company implemented the second phase of a new ERP system, including the manufacturing planning component. Through this system, the Company expects to achieve improvements in manufacturing and procurement processes that will enable it to reduce relative inventory levels over time. In addition, the Company continued to out-source the manufacturing of certain higher-volume elements of our products, including certain finished goods products, which resulted in cost savings and capacity increases during 2007.

Foreign Exchange Hedging Program

The Company has a foreign currency risk management program in place to mitigate the impact of foreign exchange fluctuations on its US dollar denominated working capital. The Board of Directors has approved the execution of financial instruments with a maximum notional value of US$20 million which have the objective of offsetting the exposure the Company faces by carrying positive US dollar working capital. The Company enters financial instruments which are settled for cash using the Bank of Canada noon day rate as the reference foreign exchange rate. At December 31, 2007, no financial instruments were outstanding relating to this program. In 2007 the Company received hedging payments of $2.1 million which have been recorded in the foreign exchange gain/loss category of the consolidated statement of operations.

Property and Equipment

During 2007, excluding assets acquired in connection with the acquisition of Beeline, the Company invested $1.1 million in property and equipment. The most significant capital addition in 2007 was a renovation and upgrading of the Calgary manufacturing facility to improve the Company's manufacturing efficiency and capacity. In addition, capital additions included information technology-related capital, research equipment and production equipment.

In connection with the acquisition of the Beeline business assets, tangible capital assets were acquired totaling $0.2 million and intangible capital assets were acquired totaling $7.2 million. Tangible assets included office equipment, computer equipment and computer software. Intangible assets included trademarks and brands, customer relationships, and technology.

Goodwill

Goodwill of $14.5 million was recorded arising from the Beeline business acquisition.

Effective December 31, 2007, 1,500,028 common shares became issuable to RHS, Inc. ("RHS") under performance warrants issued to RHS as part of the acquisition of the Outback business assets in April 2005. Additional common shares were payable under the performance warrants based on revenue and profitability for the years 2005 to 2007. The common shares are to be issued following completion of the audit of the consolidated financial statements for 2007, were valued at $3.54 per share and have been accounted for as additional consideration for the acquisition resulting in additional goodwill in the consolidated financial statements.

Share Capital

At March 13, 2008, there were 49,005,087 common shares outstanding.

On December 27, 2007 the Company completed a private placement of 5,555,600 special warrants, issued at a price of $3.15 per special warrant, for total gross proceeds of $17.5 million. Net proceeds were $16.3 million after deducting fees and expenses. The special warrants will be exercised for common shares of the Company following regulatory approval of a prospectus relating to the transaction.

During 2007, 248,360 stock options (2006 – 269,167) were exercised for cash proceeds of $0.5 million (2006 - $0.4 million).

Cash Flow

Continuing operations used $0.3 million of cash in operations in 2007, after consideration of the net change in non-cash operating working capital. During the year, net proceeds of $16.3 million were received from the private placement of Special Warrants and $0.6 million was received from the sale of Telular Corporation shares. Cash outflows during the year included $13.1 million of cash used for the acquisition of Beeline, $1.1 million for the purchase of property and equipment and $0.6 million was used for principal repayments on long-term debt and capital leases. Discontinued operations utilized cash of $0.1 million.

Related Party Transactions

During the year the Company had transactions with RHS, Inc. ("RHS"), from whom the Company acquired the Outback business assets in 2005. RHS is a company wholly-owned by a director and former member of the Company's senior management team. The details, including the business purpose of the transactions, the recorded amounts and the measurement basis used is provided in note 14 of the consolidated financial statements.

Critical Accounting Policies and Estimates

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada. The preparation of these financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates are based on Management's historical experience and various other assumptions that are believed by Management to be reasonable under the circumstances. Such assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The following critical accounting policies affect our more significant estimates and assumptions used in preparing our consolidated financial statements:

1. The Company maintains an allowance for doubtful accounts for estimated losses that may occur if customers are unable to pay trade balances owing to the Company. This allowance is determined based on a review of specific customers, historical experience and economic circumstances.
2. Inventories are carried at the lower of cost and market value. Provisions for excess or obsolete inventory are recorded based on Management's assessment of the estimated market value of component, work in process, and finished goods inventory.
3. The Company performs the required test for goodwill impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. In performing the required test, Management estimates the future cash-flows of each of its reporting units.
4. The Company evaluates its future tax assets and records a valuation allowance where the recovery of future tax does not meet the required level of certainty. At December 31, 2007, valuation allowances are provided for the full amount of future tax assets.
5. The Company accrues reserves for product warranty expenses for the repair or replacement of defective products sold. The warranty reserve is based on an assessment of the historical experience of the Company. If the Company suffers a decrease in the quality in its products, an increase in warranty reserve may be required.

Business and Market Risks

The nature of the Company's business gives rise to certain risks that may impact future financial results. In addition to risks described elsewhere in this report, the Company identifies the following risks to currently be the most significant:

1. *Financial Results*
   The Company incurred marginal losses during the year ended December 31, 2007 relative to significant losses during the years ended December 31, 2005 and 2006. While 2004 was a profitable year, the Company incurred losses in each of the three years prior to 2004. It is possible that losses will occur in any of the four quarters of 2008 and that a loss could be realized in 2008. The Company may fail to execute on its business plan, and in addition, future revenues, gross margins and expenses are subject to many factors beyond the Company's control. Examples include:
   - the liquidity and business plan execution of customers;
   - general industry conditions;
   - the rate of acceptance of the Company's products;
   - new technologies in the marketplace;
   - the development and timing of the introduction of new products;

- price and product competition from competitors;
- the product mix of the Company's sales;
- possible delays in manufacturing or shipment of the Company's products;
- possible delays or shortages in component supplies; and
- other risk factors described in this MD&A.

2. *Foreign Currency Valuations*
Sales of the Company's products are transacted primarily in US dollars. As revenues are reported by the Company in Canadian dollars, the Company is exposed to risk associated with US and Canadian dollar currency fluctuations. These risks are mitigated to some extent by purchasing inventory, as well as other costs and many services in US dollars. However, a strengthening in the Canadian dollar relative to the US dollar, as has been the case for the years 2003 to 2007, results in lower revenues and earnings for the Company. As the Company expands with increased global sales, it is expected that it may be necessary to transact sales in foreign currencies other than US dollars, thus exposing the Company to additional foreign currency risk.

In 2007, the Company entered into derivative financial instruments to manage the foreign currency exposure of US dollar denominated working capital under its board-approved foreign exchange risk management program. Although this program has been implemented, there is no guarantee the Company will not experience foreign exchange gains and losses in future periods.

3. *General Economic and Financial Market Conditions*
In 2007, the Company faced negative conditions in certain economic, financial and product markets. Negative changes in market and business environments, or adverse geopolitical events, could have a negative impact on the Company's 2008 performance. The Company's agricultural product sales were affected to some extent by drought conditions certain markets in 2007 and in prior years. This negatively impacted sales of agriculture guidance products. Should negative weather conditions arise in 2008, the Company could be faced with lower-than-expected revenues in the impacted market areas.

4. *Dependence on Key Personnel and Consultants*
The Company's success is largely dependent upon the performance of personnel and key consultants. The unexpected loss or departure of any key officers, employees or consultants could be detrimental to the future operations. The success of the Company will depend, in part, upon the ability to attract and retain qualified personnel, as they are needed. The competition for highly skilled technical, research and development, management, and other employees is high in the GPS industry. There can be no assurance that we will be able to engage the services of such personnel or retain our current personnel.

5. *Competition*
The Company is competing in a highly competitive industry that is constantly evolving and changing. The Corporation expects this competition to increase as new competitors enter the market. Many of our competitors have greater financial, technical, sales, production and marketing resources. We compete with companies that also have established customer bases and greater name recognition. This may allow competitors to respond more quickly to the GPS market and better implement technological developments. There is no assurance that the Company will be able to compete on the same scale as these companies. Such competition may result in reduced sales, reduced margins or increased operating expenses.

6. *Third Party Dependence*
Many of the Company's products rely on signals from satellites, and other ground support systems, that it does not own or operate. Such satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites have limited design lives and are subject to damage by the hostile space environment in which they operate. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites would impair the current utility of the Global Positioning System ("GPS") and/or the growth of current

and additional market opportunities, which would adversely affect our results of operations. In addition, there is no assurance that the US government will remain committed to the operation and maintenance of GPS satellites over a long period of time or that the policies of the US government for the commercial use of GPS without charge will remain unchanged.

7. *Dependence on New Products*
The Company must continue to make significant investments in research and development to develop new products, enhance existing products and achieve market acceptance for such products. However, there can be no assurance that development-stage products will be successfully completed or, if developed, will achieve significant customer acceptance. If the Company is unable to successfully define, develop and introduce competitive new products, and enhance existing products, future results would be adversely affected.

8. *Intellectual Property*
The industry in which the Company operates has many participants that own, or claim to own, proprietary intellectual property. The Company has received, and may receive, claims from third parties claiming that the Company has infringed on their intellectual property rights. Determination of the rights to intellectual property is very complex, and costly litigation may be required to establish if the Company has violated the intellectual property rights of others. As a result of such claims, the Company could be subject to losses arising from product injunctions, awards for damages and third party litigation costs, requirements to license intellectual property, legal expenses, diversion of Managements' time and attention, and other costs.

9. *Government Regulation*
The Company's products are subject to government regulation in the United States, Canada and other regions in which we operate. Although we believe that we have obtained the necessary approvals for the products that we currently sell, we may not be able to obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change or we may not be able to obtain regulatory approvals from countries in which we may desire to sell products in the future.

10. *Availability of Key Supplies*
The Company is reliant upon certain key suppliers for raw materials and components, and no assurances can be given that we will not experience delays or other difficulties in obtaining supplies, as a result of trade disputes or other matters. While no single vendor currently supplies more than 10% of the raw materials used by the Company, the raw materials used in certain operations are available only through a limited number of vendors. Although we believe there are alternative suppliers for most of our key requirements, if our current suppliers are unable to provide the necessary raw materials or otherwise fail to timely deliver products in the quantities required, any resulting delays in the manufacture or distribution of existing products could have a material adverse effect on our results of operations and its financial condition.

11. *Credit Risk*
The Company has undergone significant sales growth resulting in a significant growth in its customer base. As a result, the Company has an increasing exposure to credit risk related to trade balances owing from customers. In the normal course of business, the Company monitors the financial condition of its customers and reviews the credit history of new customers to establish credit limits. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of its customers, historical trends and economic circumstances. Losses could be realized by the Company if customers default on their balances owing.

12. *Technology Risk*
The Company's success in the GPS markets may depend in part on our ability to develop products that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end-user preferences and requirements. The Company's products embody complex technology that may not meet those standards, changes and preferences. We may be unable to successfully address these developments on a timely basis or at all. Failure to respond quickly and

cost-effectively to new developments through the development of new products or enhancements to existing products could cause the Company to be unable to recover significant research and development expenses and could reduce our revenue.

13. *Future Acquisitions*

The Company may seek to expand its business and capabilities through the acquisition of compatible technology, products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on favourable terms, or that the acquired operations can be profitably operated or integrated into the Company. In addition, any internally generated growth experienced by the Company could place significant demands on our Management, thereby restricting or limiting our available time and opportunity to identify and evaluate potential acquisitions. To the extent Management is successful in identifying suitable companies or products for acquisition, we may deem it necessary or advisable to finance such acquisitions through the issuance of Common Shares, securities convertible into Common Shares, debt financing, or a combination thereof. In such cases, the issuance of Common Shares, Preferred Shares or convertible securities could result in dilution to the holders of Common Shares at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result in, among other things, the encumbrance of certain of our assets, impeding our ability to obtain bank financing, decreasing our liquidity, and adversely affecting our ability to declare and pay dividends to our shareholders.

14. *Proprietary Protection*

The Company's success will depend, in part, on its ability to obtain patents, maintain trade secrets and unpatented know-how protection, and to operate without infringing on the proprietary rights of third parties or having third parties circumvent our rights. The Company relies on a combination of contract, copyright, patent, trademark and trade secret laws, confidentiality procedures and other measures to protect its proprietary information. There can be no assurance that the steps taken will prevent misappropriation of its proprietary rights. The Company's competitors also could independently develop technology similar to its technology. Although the Company does not believe that its products or services infringe on the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Company, or that any such assertions or prosecutions will not materially adversely affect its business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Company could incur significant costs and diversion of resources with respect to the defence thereof, which could have a material adverse effect on its business.

15. *Conflicts of Interest*

Certain directors of the Company are engaged and will continue to be engaged in the design, manufacture and marketing of electronic products, and situations may arise where the directors may be in direct competition with the Company. Conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the Alberta Business Corporations Act ("ABCA") which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

16. *Product Liability*

The sale and use of the Company's products entail risk of product liability. Although we have product liability insurance, there is no assurance that such insurance will be sufficient or will continue to be available on reasonable terms.

17. *New and Emerging Markets*

Many of the markets for the Company's products are new and emerging. Its success will be significantly affected by the outcome of the development of these new markets.

18. *Physical Facilities*
The Company has facilities at several different locations, as well as component inventory, finished goods and capital assets at third-party manufacturing facilities. Tangible property at each location is subject to risk of fire, earthquake, flood, and other natural acts of God. In the event of such acts, there could be delays in production and shipments of product due to both the loss of inventory and/or capacity to produce.

19. *Legal Risks*
In common with other companies, the Company is subject to legal risks related to operations, contracts, relationships and otherwise under which we may be served with legal claims. Whether or not the claims are legally valid, such claims may result in legal fees, damages, settlement costs and other costs as well as significant time and distraction of Management and employees.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's Management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of December 31, 2007, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company, including its subsidiaries, is made known to them by others within the Company. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal controls over financial reporting would prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

In the fourth quarter of 2006, the Company implemented the second phase of a new ERP system, including the manufacturing resources planning (“MRP”) component of the system. The implementation of this phase included revisions to many Company processes related primarily to purchasing, inventory control and manufacturing activities. As a result of the broad impact of this system implementation, the Company believes that these changes have materially affected the Company’s internal controls over financial reporting.

In December 2007, the Company completed the acquisition of Beeline Technologies Pty Ltd. In early January, the Company commenced a formal integration project, including the alignment of Beeline policies, processes, systems and internal controls with those of Hemisphere. The integration process is progressing well, but will take time to complete.

We have assessed the design of our internal controls over financial reporting and during this process, we identified certain weaknesses in internal controls over financial reporting which are set out below. The weaknesses in the Company’s internal controls over financial reporting discussed below result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the Board of Directors work to mitigate the risk of material misstatement, as described more fully below, however, there can be no assurance that the risk can be reduced to less than a remote likelihood of a material misstatement.

Limited Number of Staff: Common with many small companies, internal control deficiencies have been identified within the Company’s accounting and finance department as a result of a limited number of staff. Two deficiencies were identified:

1. the Company does not have the personnel with all the technical knowledge to identify and address the complex and non-routine transactions that may arise; and
2. certain duties were not properly segregated due to the limited number of staff.

Management has implemented processes to mitigate the risks arising from these weaknesses, including the transfer of certain incompatible functions to staff who do not have incompatible functions. However, given limited resources, there are circumstances where it was determined that it is not cost effective to fully eliminate incompatible functions. Instead, the Company relies on mitigating processes and controls. Material, complex and non-routine transactions are overseen by members of the senior management team and third-party expert advisors are consulted as needed in connection with the accounting and other implications. Detailed working papers are prepared and regularly reviewed by accounting management. Management reporting is prepared and regularly monthly by the senior management team. On a quarterly basis, consolidated financial statements are reviewed by the Chief Executive Officer, Chief Financial Officer and the Audit Committee of the Board of Directors. In addition, the quarterly financial statements are reviewed by the Company's external auditor.

Management plans to implement further procedures during 2007 to address or mitigate the risks associated with the weaknesses identified. In particular, the Company plans to transfer certain responsibilities from staff with incompatible functions to staff who do not have incompatible functions. As the Company realizes future growth, it also plans to expand the technical competence of the individuals involved in the accounting and finance department.

Consolidated Financial Statements of

Hemisphere GPS

(formerly CSI Wireless Inc.)

Years ended December 31, 2007 and 2006

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of Hemisphere GPS Inc. is responsible for the preparation and the presentation of the consolidated financial statements and related information published in the annual report. These statements were prepared in accordance with generally accepted accounting principles in Canada.

The preparation of the financial information necessarily requires the use of some estimates and judgements, such as selection and application of accounting principles appropriate to the circumstances and with due consideration to materiality. Where appropriate, management seeks and receives guidance in these matters from external legal, accounting and other advisors.

To ensure the reliability of the financial statements, management relies on the Company's system of internal controls. The accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable.

Management continuously monitors and adjusts the Company's internal controls and management information systems to accommodate a changing environment while ensuring financial integrity.

Management also recognizes its responsibility for ensuring that the Company, at all times, conducts its affairs in an ethical manner, conforming to all applicable laws and regulations, and in accordance with the highest standards of personal and corporate conduct.

Cameron Olson
Sr. Vice President & Chief Financial Officer
March 14, 2008
Calgary, Canada

Steven Koles
President & Chief Executive Officer
March 14, 2008
Calgary, Canada

KPMG LLP
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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Hemisphere GPS Inc. (formerly CSI Wireless Inc.) as at December 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 4, 2008

CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash	$ 13,295,655	$ 11,160,405
Accounts receivable	7,043,919	4,995,204
Deferred commissions	259,816	111,619
Inventories	15,142,719	11,479,139
Prepaid expenses and deposits	629,429	550,530
Current assets of discontinued operations (note 11)	393,661	1,360,735
	36,765,199	29,657,632
Deferred commissions	254,481	246,414
Property and equipment (note 3)	8,102,650	8,507,990
Intangible assets (note 4)	10,775,475	4,332,591
Goodwill	42,733,247	22,961,432
Assets of discontinued operations (note 11)	–	116,380
	$ 98,631,052	$ 65,822,439
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 8,337,366	$ 5,785,501
Deferred revenue	1,587,939	773,527
Current portion of long-term debt (note 5)	–	300,517
Current portion of capital leases (note 6)	101,714	291,057
Notes payable (note 2 (a))	324,060	–
Current liabilities of discontinued operations (note 11)	57,781	974,505
	10,408,860	8,125,107
Deferred revenue	1,696,541	1,672,116
Capital lease obligations (note 6)	–	101,714
Shareholders' equity:		
Share capital (note 7)	113,150,805	104,013,743
Performance warrants (note 7(e))	5,313,101	–
Contributed surplus (note 8)	3,242,308	2,776,468
Warrants (note 7(f))	16,287,380	–
Deficit	(51,467,943)	(50,866,709)
	86,525,651	55,923,502
Commitments (note 13)		
Contingencies (note 15)		
	$ 98,631,052	$ 65,822,439

See accompanying notes to consolidated financial statements.

Approved by the Board:

Paul Camwell

Paul Cataford, Director

Paul Camwell, Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Years ended December 31, 2007 and 2006

	2007	2006
Sales	$ 58,097,654	$ 45,908,060
Cost of sales	30,666,385	27,390,609
	27,431,269	18,517,451
Expenses:		
Research and development	5,280,270	4,741,323
Sales and marketing	9,924,163	9,305,319
General and administrative	5,955,310	5,663,242
Stock-based compensation	666,260	757,142
Amortization	2,408,944	2,509,013
	24,234,947	22,976,039
Income (loss) before undernoted items	3,196,322	(4,458,588)
Loss (gain) on sale of marketable securities	38,809	(1,049,976)
Foreign exchange loss	674,276	642,856
Interest income	(416,783)	(220,984)
Restructuring costs	–	1,043,000
Legal fees on settlement of lawsuit (note 15 (ii))	3,195,946	266,342
Loss from continuing operations	(295,926)	(5,139,826)
Loss from discontinued operations (note 11)	(305,308)	(14,746,737)
Net loss	(601,234)	(19,886,563)
Deficit, beginning of year	(50,866,709)	(30,980,146)
Deficit, end of year	$(51,467,943)	$(50,866,709)
Loss per common share from continuing operations:		
Basic and diluted	$ (0.01)	$ (0.11)
Net loss per common share:		
Basic and diluted	$ (0.01)	$ (0.43)
Weighted average shares outstanding:		
Basic	46,338,771	46,023,887
Diluted	53,740,919	46,023,887

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2007 and 2006

	2007	2006
Cash flows from (used in) operating activities:		
Loss from continuing operations	$ (295,926)	$ (5,139,826)
Items not involving cash:		
Amortization	2,408,944	2,509,013
Stock based compensation	666,260	757,142
Unrealized foreign exchange loss	4,037	25,116
Loss (gain) on sale of marketable securities	38,809	(1,049,976)
Cash from (used in) continuing operations	2,822,124	(2,898,531)
Change in non-cash operating working capital:		
Accounts receivable	(2,355,191)	(1,582,795)
Inventories	(3,663,580)	(321,448)
Prepaid expenses and deposits	(78,899)	91
Deferred commissions	(156,264)	(333,561)
Accounts payable and accrued liabilities	2,272,710	2,657,714
Deferred revenue	838,837	2,223,230
	(320,263)	(255,300)
Cash used in discontinued operations (note 11)	(304,073)	(5,263,760)
	(624,336)	(5,519,060)
Cash flows from (used in) financing activities:		
Long-term debt	(300,517)	(508,406)
Capital leases	(291,057)	(300,562)
Issue of share capital, net of issue costs	451,092	414,051
Issue of warrants, net of issue costs	16,287,380	–
Cash used in discontinued operations (note 11)	–	(346,812)
	16,146,898	(741,729)
Cash flows from (used in) investing activities:		
Purchase of property and equipment	(1,052,823)	(4,059,272)
Proceeds from the sale of marketable securities	600,398	7,209,670
Business acquisition (note 2)	(13,100,382)	(959,303)
Cash from discontinued operations (note 11)	165,495	2,634,745
	(13,387,312)	4,825,840
Increase (decrease) in cash position	2,135,250	(1,434,949)
Cash, beginning of year	11,160,405	12,595,354
Cash, end of year	$ 13,295,655	$ 11,160,405
Supplemental disclosure:		
Interest paid	$ 57,077	$ 88,143
Interest received	$ 403,106	$ 343,756

See accompanying notes to consolidated financial statements.

Hemisphere GPS Inc (formerly CSI Wireless Inc.) (the "Company") is incorporated under the laws of the Province of Alberta. The Company is actively involved in the design, manufacture and marketing of precision Global Positioning System ("GPS") products and technologies.

1. **Significant accounting policies:**

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All inter-company transactions have been eliminated upon consolidation.

(b) Revenue recognition:

The Company generates revenue from the sale of equipment and from extended service programs.

Revenues from the sale of equipment are recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured. Accruals for warranty costs, sales returns and other allowances at the time of shipment are based upon contract terms and anticipated claims.

Revenues from the sale of extended service programs are recorded as deferred revenue at the time that payment is received and are recognized on a pro-rata basis over the extended service period. Commissions paid on extended service program revenues are recorded as deferred charges at the time they are paid, and are expensed on a pro-rata basis over the extended service period.

(c) Inventories:

Inventories are valued at the lower of cost and market. Cost is determined on an average cost basis and market is determined at net realizable value for finished goods and work in process and replacement cost for component parts. The cost of work in process and finished goods include materials, labor and production overheads. Provisions for obsolete inventory are based on Management's best estimates which consider a variety of factors that may affect the carrying values of inventories. These factors include, but are not limited to, market demand, technology changes and design changes.

(d) Property and equipment:

Property and equipment is recorded at cost. Amortization is provided at the following annual rates:

Assets	Method	Rate
Leasehold improvements	straight-line	4 - 20 years
Computer equipment and software	declining balance	30%
Office, production equipment and vehicles	declining balance	20% - 30%
Licenses and other assets	straight-line	2 - 10 years

Amortization is charged from the date of acquisition of an asset.

1. Significant accounting policies (continued):

(e) Research and development costs:

Ongoing research and development costs, net of related government incentives and grants, are charged to earnings in the current period. No government incentives or grants relating to research and development activities were received in the year.

(f) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, as of the date of the business combination, to the Company's reporting units that are expected to benefit from the business combination.

Goodwill is not amortized, but is tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of a reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess. As a result of the current year's assessment, no impairment loss has been recognized on goodwill.

(g) Intangible assets:

Intangible assets are carried at cost, with the carrying value of these assets being assessed whenever an event or changes in circumstances indicate that their carrying amount may not be recoverable.

Amortization is provided using the straight line method at the following annual rates:

Assets	Rate
Trademarks and brands	20 years
Customer relationships	5 years
Marketing and distribution assets	5 years
Technology	5 years

1. **Significant accounting policies (continued):**

(h) Per share amounts:

The calculation of basic loss per common share is based on the weighted average number of common shares outstanding. Diluted earnings per share is calculated using the treasury stock method.

(i) Foreign currency translation:

Foreign currency balances of the Company's foreign subsidiaries, which are considered to be integrated, are translated on the following basis:

- monetary assets and liabilities are translated at the rates of exchange prevailing at the balance sheet dates.
- non-monetary assets, liabilities and related depreciation expense are translated at historical rates.
- sales and expenses are translated at the average rate of exchange during the month in which they are recognized.

Any resulting foreign exchange gains and losses are included in earnings.

(j) Stock-based compensation plan:

The Company applies the fair value method to all stock-based payments and awards. Under the fair value method, the Company calculates the fair value of stock option grants or direct awards of stock and records that fair value as compensation expense over the vesting period of those grants and awards, and an equal amount is recorded in contributed surplus. Upon exercise of stock options, the amount of compensation expense previously recorded in contributed surplus is moved to share capital.

(k) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences - the difference between the carrying amount of an asset and liability in the consolidated balance sheet and its tax basis. Future income tax assets and future income tax liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to settle. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment.

To the extent that future income tax assets are not considered more likely than not to be realized, a valuation allowance is provided.

1. **Significant accounting policies (continued):**

(l) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Financial instruments and comprehensive income

On January 1, 2007, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") regarding the recognition, measurement, disclosure and presentation of financial instruments. Under these standards, financial instruments must be classified into one of five categories: (i) held-for-trading, (ii) held-to-maturity, (iii) loans and receivables, (iv) available-for-sale, and (v) other financial liabilities. The new standards require that all financial instruments within the scope of the standards, including all derivative instruments, be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities – except those in the held-for-trading and available-for-sale categories – must be determined at amortized cost using the effective interest rate method. Held-for-trading financial instruments are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recognized in comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company designated accounts receivable as "loans and receivables", which are measured at amortized cost. Marketable Securities have been designated as "held-for-trading", which are measured at fair value with changes in such value included in earnings. Accounts payable and accrued liabilities are classified as "other financial liabilities" which are measured at amortized cost.

The Company also adopted as of January 1, 2007 new standards with respect to comprehensive income. The new standards require a statement of comprehensive income, if there are items that give rise to comprehensive income or loss. The Company did not identify any such items giving rise to comprehensive income or loss in the year ended December 31, 2007, or that would result in an adjustment to opening balances for accumulated other comprehensive income or loss.

The Company also adopted new accounting standards with respect to hedging activities. The adoption of these standards did not have a material impact on the Company's financial statements as the Company does not apply hedge accounting. The Company does utilize forward contracts to hedge certain foreign currency denominated assets and liabilities against fluctuations in foreign currency exchange rates. These contracts are recorded at fair value each reporting period with changes in fair value recorded in net earnings. The Company does not use forward contracts for trading or speculative purposes.

1. **Significant accounting policies (continued):**

(n) New accounting standards effective January 1, 2008

The Company will adopt new accounting standards relating to inventory and disclosure and presentation of financial instruments. Management does not anticipate that these new standards will have a material impact on the Company's financial statements.

(o) Comparative figures:

Certain comparative information has been reclassified to conform with the current year's presentation.

2. **Business acquisitions:**

(a) Beeline Technologies Pty Ltd:

On December 20, 2007, the Company, through a wholly-owned subsidiary incorporated in Australia, completed the acquisition of the shares and outstanding securities of Beeline Technologies Pty Ltd. The acquisition has been accounted for using the purchase method and the allocation of the purchase price based on fair values was as follows:

Current assets	$ 332,731
Property and equipment	187,436
Intangible assets	7,206,229
Goodwill	14,458,714
Current liabilities	(279,155)
Notes payable	(320,023)
	$21,585,932

Consideration consisted of:

Cash	$12,158,727
Common shares issued	8,485,550
Transaction costs	941,655
	$21,585,932

(b) Del Norte Technology Inc.:

On January 19, 2006, the Company, through its wholly-owned subsidiary Hemisphere GPS LLC, completed the acquisition of the business assets of Del Norte Technology, Inc. The acquisition has been accounted for using the purchase method and the allocation of the purchase price based on fair values was as follows:

Cash	$ 157,659
Current assets	148,379
Property and equipment	95,146
Intangible assets	277,704
Goodwill	566,634
Current liabilities	(128,560)
	$ 1,116,962

Consideration paid consisted of:	
Cash	$ 1,087,674
Transaction costs	29,288
	$ 1,116,962

3. **Property and equipment:**

December 31, 2007	Cost	Accumulated amortization	Net book value
Leasehold improvements	$ 3,621,871	$ 496,554	$ 3,125,317
Computer equipment and software	5,686,675	3,383,657	2,303,018
Office and production equipment	6,019,611	3,664,404	2,355,207
Licenses and other assets	628,435	309,327	319,108
	$15,956,592	$ 7,853,942	$ 8,102,650

December 31, 2006	Cost	Accumulated amortization	Net book value
Leasehold improvements	$ 3,275,241	$ 277,020	$ 2,998,221
Computer equipment and software	5,336,023	2,656,675	2,679,348
Office and production equipment	5,649,069	3,115,098	2,533,971
Licenses and other assets	514,899	218,449	296,450
	$14,775,232	$ 6,267,242	$ 8,507,990

Included in property and equipment is equipment under capital lease with a cost of $1,436,589 (2006 - $1,436,589), accumulated amortization of $1,048,212 (2006 - $921,219) and a net book value of $388,377 (2006 - $515,370).

4. Intangible assets:

December 31, 2007	Cost	Accumulated amortization	Net book value
Trademarks and brands	$ 2,628,349	$ 336,589	$ 2,291,760
Customer relationships	792,685	3,315	789,370
Marketing and distribution assets	2,395,045	1,286,264	1,108,781
Technology	6,972,838	387,274	6,585,564
	$12,788,917	$ 2,013,442	$10,775,475

December 31, 2006	Cost	Accumulated amortization	Net book value
Trademarks and brands	$ 2,484,224	$ 212,444	$ 2,271,780
Marketing and distribution assets	2,395,044	812,032	1,583,012
Technology	703,420	225,621	477,799
	$ 5,582,688	$ 1,250,097	$ 4,332,591

5. Long-term debt:

	2007	2006
Term debt, repayable in monthly installments of US$37,465 with interest calculated at 6.75%, matured August 2007, was secured by specific computer equipment and software	$ –	$ 300,517
Less: current portion	–	300,517
	$ –	$ –

6. Capital lease obligations:

Estimated lease payments are as follows:

	2007	2006
2007	$ –	$ 307,029
2008	103,651	103,651
Total future minimum capital lease payments	103,651	410,680
Less: interest portion	1,937	17,909
Net minimum lease payments	101,714	392,771
Less: current portion	101,714	291,057
	$ –	$ 101,714

7. Share capital:

(a) Authorized:

Unlimited common shares

Unlimited first preferred shares, issuable in series

Unlimited second preferred shares, issuable in series

(b) Issued:

Issued share capital consists only of common shares, as follows;

	Number of Shares	Amount
Balance, December 31, 2005	45,856,449	$103,463,383
Issued on exercise of stock options	269,167	429,554
Share issue costs	–	(15,503)
Transfer from contributed surplus on exercise of stock options	–	136,309
Balance, December 31, 2006	46,125,616	$104,013,743
Issued on exercise of stock options	248,360	468,066
Share issue costs	–	(16,974)
Issued on business acquisition	2,445,365	8,485,550
Transfer from contributed surplus on exercise of stock options	–	200,420
Balance, December 31, 2007	48,819, 341	$113,150,805

(c) Stock options:

The Company has a stock option plan, whereby options to purchase common shares may be issued to directors, officers, employees, key consultants and agents of the Company subject to certain terms and conditions. Stock options granted vest over a period of two to four years and expire at various dates through 2011.

At December 31, 2007, there were 2,785,468 (2006 - 3,002,631) stock options outstanding. In aggregate, the Company's shareholders have approved the issuance of total stock options with a rolling maximum limit equal to 10% of outstanding common shares.

(c) Stock options (continued):

Changes in the number of options, with their weighted average exercise prices are summarized below:

	2007		2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Total options outstanding, beginning of year	3,002,631	$ 2.17	3,176,165	$ 2.35
Granted	275,000	2.35	1,067,500	1.69
Exercised	(248,360)	1.88	(269,167)	1.60
Forfeited	(243,803)	2.64	(971,867)	2.39
Stock options outstanding, end of year	2,785,468	$ 2.18	3,002,631	$ 2.17
Exercisable at year end	2,134,141	$ 2.20	1,873,961	$ 2.23

	Options outstanding			Options exercisable	
Range of exercise prices outstanding	Number outstanding at December 31, 2007	Weighted average remaining contractual life (months)	Weighted average exercise price	Number exercisable at December 31, 2007	Weighted average exercise price
$1.33 – 2.00	1,686,885	32	$ 1.70	1,328,918	$ 1.70
2.01 – 3.00	735,583	30	2.54	493,703	2.63
3.01 – 3.78	363,000	28	3.64	311,520	3.64
$1.33 – 3.78	2,785,468	31	$ 2.18	2,134,141	$ 2.20

(d) The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: zero dividend yield; weighted average volatility of 103%; risk-free rate of 4.25% to 4.50%; and expected lives of 2.5 years. The weighted average fair value of options granted during the year was $1.43 (2006 - $.88) per option. The Company has recorded $666,842 (2006 - $876,113) as compensation expense, including the amount that was attributable to, and included in, the loss from discontinued operations in 2006.

(e) Under Performance Warrants issued to RHS, Inc. in connection with the Company's April 2005 acquisition of the Outback Business 1,500,028 common shares of the Company are issuable to RHS for no additional consideration based upon cumulative revenue and profitability targets over the 2005, 2006 and 2007 fiscal years. The common shares to be issued have been valued at $3.54 per share and have been accounted for as additional consideration on the acquisition and have been recorded as goodwill.

(f) On December 27, 2007, the Company closed a fully subscribed private placement of 5,555,600 special warrants ("Special Warrants"). The Special Warrants were purchased at a price of $3.15 per Special Warrant for total gross proceeds of $17,500,140. Each Special Warrant will be automatically exercised for common shares on the earlier of: (i) the business day after the date on which a receipt has been issued by applicable Canadian securities regulatory authorities for a final prospectus qualifying the distribution of the common shares issuable upon exercise of the Special Warrants; or (ii) 120 days following the closing date.

8. Contributed surplus:

Balance, December 31, 2005	$ 2,036,664
Stock-based compensation expense	876,113
Stock options exercised	(136,309)
Balance, December 31, 2006	2,776,468
Stock-based compensation expense	666,260
Stock options exercised	(200,420)
Balance, December 31, 2007	$ 3,242,308

9. Income taxes:

Income tax expense varies from the amount that would be computed by applying the combined Federal and Provincial income tax rate of 32.12% (2007 – 32.49%) to earnings before income tax as follows:

	2007	2006
Expected income tax (recovery)	$ (95,000)	$ (1,670,000)
Increase (decrease) resulting from:		
Unrecognized future tax assets	(655,000)	3,995,000
Permanent differences	151,000	450,000
Impact of future enacted tax rates and exchange rate	3,015,000	295,000
Impact of foreign jurisdiction tax rates	628,000	(878,000)
Tax recovery of loss on discontinued operations	(98,000)	(2,192,000)
Impact of review and update of prior years' tax filings	(2,946,000)	–
Income tax expense	$ –	$ –

9. Income taxes (continued):

The components of the Company's net future income tax assets, no portion of which has been recorded in these financial statements, are as follows:

December 31, 2007	Asset (Liability) Canada	United States	Total
Net operating losses	$ 2,240,232	$11,097,683	$13,337,915
Research and development tax pools	1,342,953	–	1,342,953
Property and equipment	59,301	596,463	655,764
Share issue costs	304,919	–	304,919
Goodwill	–	(1,151,015)	(1,151,015)
Reserves	88,265	–	88,265
Inventory	–	35,280	35,280
	$ 4,035,670	$ 10,578,411	$14,614,081

December 31, 2006	Asset (Liability) Canada	United States	Total
Net operating losses	$ 313,551	$14,975,785	$15,289,336
Research and development tax pools	826,456	–	826,456
Property and equipment	(134,434)	(137,970)	(272,404)
Share issue costs	386,814	–	386,814
Inventory	–	41,760	41,760
Goodwill	–	(1,271,601)	(1,271,601)
Reserves	108,382	–	108,382
Restructuring costs	–	19,500	19,500
Unrealized foreign exchange loss	–	140,986	140,986
	$ 1,500,769	$ 13,768,460	$15,269,229

The net operating loss carry-forwards reflected above expire as follows:

	Net operating losses
United States:	
2020	$ 2,731,000
2021	7,009,000
2022 and beyond	18,004,000
	$ 27,744,000
Canada:	
2010	500,000
2014	2,233,000
2015 and beyond	6,228,000
	$ 8,961,000

The Company has unrecognized tax credits totaling $2,200,000 in Canada, and $3,000,000 in the United States relating to its research and development activities.

10. Segmented information:

The Company has identified three operating segments based upon the structure in which management has organized the operations of the Company for making operating decisions, resource allocation decisions and assessing financial performance. The operating segments have been defined primarily by the products, markets, distribution methods and customer composition associated with each segment.

The Company's chief operating decision maker is the President and Chief Executive Officer (CEO). The President and CEO reviews financial information relating to the three operating segments, including revenues and the contribution of the segment to the shared costs of the Company. The operating segments defined by the Company are:

(a) Ground Agriculture – this segment sells products for precision farming and ground-based agricultural applications.

(b) Air - this segment sells precision aerial GPS products for farmers, forestry workers, and firefighters.

(c) Precision Products – this segment sells precision GPS products for non-agricultural markets including marine and geographic information systems applications, among others.

All of the reportable operating segments derive their revenue from the sale of GPS guidance related products. Because of their shared nature, the Company does not allocate goodwill, property and equipment, capital expenditures or related amortization to its operating segments.

	Ground Ag	Air	Precision	Shared	Total
Sales	$ 44,976,378	$ 5,088,178	$ 8,033,098	$ –	$ 58,097,654
Contribution (loss)	$ 11,180,927	$ 1,153,278	$ 1,120,736	$ (13,750,867)	$ (295,926)

Comparable financial information is not available for 2006.

Assets and sales by geographic segment:

	Assets		Sales	
	2007	2006	2007	2006
United States	$ 45,414,000	$ 45,476,000	$ 27,100,000	$ 25,146,000
Canada	52,688,000	20,346,000	14,120,000	11,900,000
Europe	–	–	6,899,000	3,687,000
Australia	529,000	–	2,647,000	1,000,000
Other	–	–	7,332,000	4,175,000

Sales are attributed to geographic segments based on the location of the customer. The net book value of property and equipment located in Canada is $3,022,752 (2006 - $3,178,075), United States is $4,897,752 (2006 - $5,329,915) and Australia is $177,025 (2006 – nil).

11. Discontinued operations:

In the fourth quarter of 2005, the Company commenced activities to restructure and dispose of its Telematics product line, which was a component of the Wireless Business Unit. On April 24, 2006, the Company announced it had signed a definitive agreement to sell its Fixed Wireless Telephone product line to Telular Corporation. The transaction closed on May 8, 2006. On November 26, 2006, the Company signed a definitive agreement to sell its Asset-Link Telematics product line to CHI-Agra Products Inc. The transaction closed on December 18, 2006. On July 28, 2006, the Company announced that it had signed an agreement to sell the Location Tag Telematics product line to Trace Technologies, LLC ("Trace"). During the third quarter of 2007, the Company entered an agreement to terminate the agreement with Trace and releasing a deposit of $125 thousand that had been paid by Trace and was being held in escrow.

As a result of the above circumstances, the Telematics and the Fixed Wireless Telephone product lines of the Wireless Business Unit have been classified as discontinued operations in these financial statements, with the comparative information being restated to conform to this disclosure.

As a result of an assessment of the fair value of the Wireless Business Unit compared to the anticipated net proceeds of sale, an impairment of goodwill attributed to the discontinued operations was recorded during the first quarter of 2006 totaling $8,000,000. At December 31, 2007 and 2006 there is no goodwill carried on the balance sheet relating to the discontinued operations.

There are no continuing operational activities associated with the discontinued operations following the divestments of the Asset-Link and Fixed Wireless Telephone product lines, however, Management expects that there will be continuing cash flows related to:

(a) settlement of the remaining assets and liabilities of the discontinued operations, which are expected to be completed during 2008; and

(b) the conclusion of legal matters associated with the discontinued operations, the timing of which is not reasonably determinable.

Divestment of the Fixed Wireless Telephone product line - Proceeds on the disposition of the Fixed Wireless Telephone product line at May 8, 2006 were as follows:

Cash	$ 3,179,005
Accounts receivable	577,102
1,931,745 common shares of Telular Corporation	6,159,692
Less: disposition costs	(431,630)
	$ 9,484,169

In addition, the Company received a cash payment of $178,000 for working capital items acquired by Telular Corporation.

11. Discontinued operations (continued):

The agreement for the sale of the Fixed Wireless Telephone product line included the provision that the Company may earn additional common shares of Telular Corporation based on the revenues earned by Telular Corporation on GSM and TDMA fixed wireless telephone sales in specific markets during defined periods no later than June 30, 2007. Under the TDMA earnout provision, the Company earned 150,990 additional common shares of Telular Corporation as of December 31, 2006, of a total available of 515,132. These additional proceeds, valued at $639,263, were recorded as additional proceeds on the sale of the product line in 2006. The GSM earnout provision was based on certain GSM fixed wireless telephone sales during the period July 1, 2006 to June 30, 2007 and provided the Company the opportunity to earn up to 643,915 additional common shares. No additional common shares were earned by the Company under the GSM earnout provision.

Divestment of the Asset-Link product line - Proceeds on the disposition of the Asset-Link product line at the time of closing were as follows:

Cash	$ 11,530
Promissory Note	103,770
Less: disposition costs	(46,120)
	$ 69,180

Under the terms of the divestment, the Company may earn up to US$250,000 based on sales of Asset-Link products by the purchaser.

11. Discontinued operations (continued):

The results of discontinued operations for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Sales	$ –	$ 16,598,370
Cost of sales	–	14,295,672
	–	2,302,698
Expenses:		
Research and development	–	2,375,933
Sales and marketing	–	1,111,372
General and administrative	479,423	4,316,597
Stock-based compensation	–	118,971
Amortization	–	464,871
	479,423	8,387,744
Loss before undernoted items	479,423	6,085,046
Gain on the sale of patents	(165,495)	–
Impairment of property and equipment	116,380	–
Other income	(125,000)	–
Gain on the sale of product lines	–	(383,398)
Severance and wind-down costs	–	1,071,000
Interest income	–	(25,911)
Goodwill impairment	–	8,000,000
Loss from discontinued operations	$ 305,308	$ 14,746,737

Assets and liabilities presented in the consolidated balance sheet are recorded at lower of cost or net realizable value and include the following assets and liabilities of discontinued operations:

	2007	2006
Current assets	$ 393,661	$ 1,360,735
Assets:		
Property and equipment	–	116,380
	393,661	116,380
Current liabilities	(57,781)	(974,505)
	$ 335,880	$ 502,610

11. Discontinued operations (continued):

The cash flows from discontinued operations for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Cash flows from (used in) operating activities:		
Net loss from discontinued operations	$ (305,308)	$(14,746,737)
Items not involving cash:		
Gain on sale of patents	(165,495)	–
Impairment of property and equipment	116,380	–
Amortization	–	464,871
Stock-based compensation	–	118,971
Goodwill impairment	–	8,000,000
Gain on sale of product lines	–	(383,398)
	(354,423)	(6,546,293)
Change in non-cash operating working capital:		
Accounts receivable	967,074	10,073,958
Inventories	–	606,411
Prepaid expenses and deposits	–	140,984
Accounts payable	(916,724)	(9,538,820)
	(304,073)	(5,263,760)
Cash flows used in financing activities:		
Capital lease obligations	–	(346,812)
Cash flows from (used in) investing activities:		
Proceeds on sale of patents	165,495	–
Property and equipment	–	(112,630)
Proceeds on sale of product lines, net	–	2,747,375
	165,495	2,634,745
	$ (138,578)	$ (2,975,827)

12. Financial instruments:

The carrying values of cash, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments. All long-term debt and capital lease obligations with variable interest rates are assumed to be at fair value and therefore are not revalued.

The nature of these instruments and the Company's operations expose the Company to the following risks:

(a) Credit risk:

Credit risk reflects the risk the Company may be unable to recover accounts receivable. The Company employs established credit approval and monitoring practices to mitigate this risk.

(b) Interest risk:

The Company is exposed to interest rate risk to the extent that it may draw on its operating line of credit or other forms of debt which calculate interest as a function of current lending rates.

(c) Foreign exchange risk:

The Company is exposed to foreign exchange risk in that the majority of its revenues and a significant portion of its expenses are denominated in US dollars. In addition, the Company is exposed to foreign exchange risk relating to components of working capital that are denominated in US dollars.

13. Commitments:

The Company is committed to annual minimum operating lease payments, excluding tenant-operating costs, of:

2008	$ 886,961
2009	1,172,266
2010	1,129,481
2011	934,144
2012	550,042
Thereafter	1,138,679

Effective July 1, 2006, the Company entered into a five year lease for a building in Hiawatha, Kansas that is being used as the distribution centre for the Company's ground agriculture product line. The building is leased from the City of Hiawatha for annual rent of US$120,000. If the Company meets certain headcount growth thresholds over the term of the lease, the lease payments are forgiven. For the period July 1, 2006 to December 31, 2007, the Company has met the growth thresholds, and the lease payments were forgiven.

13. Commitments (continued):

If the Company has met the growth thresholds at the end of the lease, the Company will have the option to purchase the building for $1. If the Company has not met the thresholds, then the Company will have the option to purchase the building for a range of amounts up to the fair market value of the building at that time. It is uncertain as to whether the growth thresholds will be met at this point in time, accordingly, the Company has accounted for this as an operating lease at December 31, 2007.

14. Related party transactions:

In connection with the acquisition of the Outback Business in 2005, the Company has ongoing transactions with the vendor, RHS, which is a company wholly-owned by a director and former member of the Company's senior management team.

(a) Included in sales is $128,000 (2006 - $234,000) for sales of Outback products to RHS.

(b) At the time of the acquisition, the Company entered into a services agreement with RHS whereby certain of the Company's employees spend a defined percentage of their time providing management and administrative services to RHS and certain RHS employees perform administrative duties for the Company. Included in expenses is an expense recovery of $nil (2006 - $768,000) for amounts charged to RHS under this agreement and $25,000 (2006 - $129,000) of expense related to services provided to the Company by RHS.

(c) At the time of the acquisition, the Company entered into a lease agreement for the use of an office building, furniture and equipment owned by RHS in Hiawatha, Kansas. This lease was terminated in December 2006 when the Company's Hiawatha operations moved into a building leased from the City of Hiawatha. For the current year, $nil (2006 - $123,000) in lease payments are included in expenses relating to this terminated lease.

(d) In 2006, following the termination of the lease for office space in Hiawatha, the Company purchased office equipment, furniture and certain other fixed assets from RHS totaling approximately $150,000.

(e) At the time of the acquisition, the Company entered into a charter services agreement for the charter use of an airplane owned by RHS, and managed by a third party. The charter services agreement was terminated in 2006, and as a result, there were no charter fees paid for use of the airplane in 2007 (2006 - $74,000).

(f) Under the Outback business acquisition agreement, RHS indemnified the Company for a share of the costs associated with certain claims against the Company. In 2007, RHS paid US$1.5 million for its share of costs subject to this indemnity. No amounts remain outstanding relating to this indemnity at December 31, 2007 (2006 - $236,000).

(g) Accounts receivable at December 31, 2007 includes $nil (2006 - $63,000) in amounts due from RHS for product sales and administrative services fees.

(h) As at December 31, 2007, in connection with the purchase of the Outback Business in April 2005, 1,500,028 common shares are issuable to RHS, Inc. in connection with performance warrants issued and related to revenue and profitability targets for the years 2005 to 2007.

14. Related party transactions (continued):

All transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

15. Contingencies:

Legal matters:

The Company is subject to the following claims and lawsuits, the outcome of which are not determinable:

(i) During 2006, the Company was served with a statement of claim from a company who was a former customer of the Company's Telematics product line, which is disclosed as discontinued operations in these financial statements. The Company will vigorously defend its position and has filed a counterclaim against the company. Although the Company believes the lawsuit claiming damages of $35 million is without merit, the loss, if any, is not determinable at this time.

(ii) During 2007, following the dismissal of the associated patent infringement claims by the U.S. District Court, the Company settled an outstanding legal action that had been initiated by a third party in 2002. As a result, all outstanding litigation with the third party has been discontinued and the Company does not expect to incur further legal costs associated with this matter. The Company has reclassified the legal expenses associated with this legal action in the Consolidated Statements of Operations in order to reflect the impact of these costs on past financial results.

The Company is subject to claims and contingencies related to lawsuits and other matters arising in the normal course of operations. Management believes the ultimate liability, if any, arising from such claims or contingencies, is not likely to have a material adverse effect on the Company's results of operations or financial condition.

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Directors

Non-Independent

Richard Heiniger
President
RHS, Inc.

Steven Koles
President & Chief Executive Officer
Hemisphere GPS Inc.

Independent

Michael Lang (1)
Chairman
StoneBridge Merchant Capital Corp.

Barry Batcheller (3)
President & CEO
Appareo Systems

Howard Yenke (3)
Retired Executive

John Tye III (2)(4)
Chairman
Bigham Brothers Inc.

Paul Camwell (2)(4)
Chief Technology Officer
Xact Downhole Telemetry Inc.

Paul Cataford (2)
President & CEO
University Technologies International Inc.

(1) Board Chairman
(2) Audit Committee
(3) Compensation Committee
(4) Corporate Governance Committee

Shareholder Inquiries

Corbet Pala
E-Vestor Communications Inc.
Toll free: 1·877·657·5276
Tel: 416·657·2400
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e-mail: cpala@evestor.com

Stock Listing

Toronto Stock Exchange
Ticker Symbol: HEM

Senior Officers

Steven Koles
President & Chief Executive Officer

Cameron Olson
Sr. Vice President & Chief Financial Officer

Mohamed Abousalem
Vice President, Marketing and Business Development

William Burdick
Vice President Sales, Ground Ag

Jim Chinnick
Vice President, Engineering

Phil Gabriel
General Manager, Precision Products

Chad Lind
General Manager, Air

Michael Pratt
Vice President, Finance & Admin

Dean Ryerson
Sr. Vice President & Chief of Agriculture

Lisa Smith
Vice President, Operations

Legal Counsel

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Bankers

Alberta Treasury Branch, Main Branch
Calgary, Alberta

Auditors

KPMG LLP
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Hemisphere GPS
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Hemisphere GPS

www.hemispheregps.com

HEMISPHERE GPS INC.

NOTICE OF ANNUAL GENERAL MEETING

and

INFORMATION CIRCULAR – PROXY STATEMENT

WITH RESPECT TO THE

ANNUAL GENERAL MEETING OF
SHAREHOLDERS

TO BE HELD MAY 15, 2008

HEMISPHERE GPS INC.

NOTICE OF
ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that an Annual General Meeting (the "**Meeting**") of the shareholders of Hemisphere GPS Inc. (the "**Corporation**" or "**Hemisphere GPS**") will be held at the ***Calgary Telus Convention Centre, Telus Rm. 101-102, 136 Eighth Avenue SE, Calgary, Alberta on Thursday, May 15, 2008 at 2:30*** p.m. in the afternoon (Calgary time) for the following purposes:

1. To receive and consider the financial statements of the Corporation, together with the report of the auditors thereon, for the year ended December 31, 2007;

2. To fix the number of Directors to be elected at the Meeting at eight (8);

3. To elect Directors for the ensuing year;

4. To appoint auditors for the ensuing year and to authorize the Board to fix their remuneration; and

5. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular - Proxy Statement accompanying and forming part of this Notice.

The Directors of the Corporation have fixed a record date for the purpose of determining the shareholders entitled to receive notice of the Meeting. Each person who is a holder of common shares of record at the close of business on March 17, 2008 (the "**Record Date**") will be entitled to notice of, and to attend and vote at, the Meeting except, to the extent that such a shareholder transfers the ownership of any of his/her shares after the Record Date and the transferee of those shares establishes that he/she owns such shares and demands, not later than ten days (10) before the Meeting, that his/her name be included in the list of shareholders entitled to vote at the Meeting, such transferee will be entitled to vote such shares at the Meeting.

Shareholders of the Corporation who are unable to attend the Meeting in person are requested to date and sign the enclosed Instrument of Proxy and to mail it to or deposit it with the Corporation, c/o Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. In order to be valid and acted upon at the Meeting, instruments of proxy must be returned to the aforesaid address not less than 48 hours, excluding Saturdays, Sundays and holidays, preceding the Meeting or any adjournment thereof.

DATED at Calgary, Alberta, this 28th day of March, 2008.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "*Michael Lang*"
Chairman of the Board

TABLE OF CONTENTS

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular.

"**Board**" or "**Board of Directors**" means the board of directors of Hemisphere GPS as presently constituted;

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday when banks are generally open for the transaction of banking business;

"**Common Shares**" means the common shares of Hemisphere GPS, as presently constituted;

"**Corporation**" or "**Hemisphere GPS**" means Hemisphere GPS Inc., a corporation incorporated pursuant to the laws of the Province of Alberta;

"**Director**" means a director of the Corporation;

"**Guidelines**" means the guidelines published by the Canadian Securities Administrators in National Policy 58-201 *Corporate Governance Guidelines* relating to corporate governance matters;

"**Information Circular**" means this information circular – proxy statement dated March 28, 2008 in respect of the Meeting;

"**Meeting**" means the annual general meeting of the shareholders of Hemisphere GPS to be held on May 15, 2008;

"**Plan**" means the share option plan of the Corporation, as amended;

"**Record Date**" means the record date for the Meeting, being March 17, 2008; and

"**TSX**" means the Toronto Stock Exchange.

Hemisphere GPS INC.

INFORMATION CIRCULAR - PROXY STATEMENT
dated March 28, 2008

Annual General Meeting of Shareholders
to be held on May 15, 2008

PART I - INTRODUCTION

This Information Circular - Proxy Statement is furnished in connection with the solicitation of proxies by the management of Hemisphere GPS Inc. (the "Corporation" or "Hemisphere GPS") for use at the Annual General Meeting of Shareholders of the Corporation (the "**Meeting**") to be held at the ***Calgary Telus Convention Centre, Telus Rm. 101-102, 136 Eighth Avenue SE, Calgary, Alberta on Thursday, May 15, 2008 at 2:30 p.m.*** in the afternoon (Calgary time) and at any adjournment thereof, and on every ballot that may take place in consequence thereof, for the purposes set forth in the Notice of Annual General Meeting of Shareholders.

Unless otherwise stated, the information contained in this Information Circular is given as at March 28, 2008.

No person has been authorized by Hemisphere GPS to give any information or make any representations in connection with the transactions herein described other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized by Hemisphere GPS.

PART II - GENERAL PROXY INFORMATION

Solicitation of Proxies

The Board of Directors has fixed the record date for the Meeting at the close of business on March 17, 2008 (the "**Record Date**"). Only holders of Common Shares of record as at that date are entitled to notice of the Meeting. Shareholders of record will be entitled to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he owns such shares, demands, not later than ten (10) days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

At the close of business on March 27, 2008 there were 54,560,687 Common Shares issued and outstanding. Two persons present in person and holding or representing not less than five (5%) percent of the Common Shares entitled to vote thereat will constitute a quorum at the Meeting.

Appointment of Proxies

Instruments of proxy must be mailed so as to reach or be deposited with the Corporation, c/o **Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1**, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the Meeting or any adjournment thereof.

Instruments of proxy must be in writing and must be executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. Persons signing as executors, administrators, trustees, etc. should so indicate and give their full title as such.

The persons named in the enclosed Instrument of Proxy are officers and Directors of the Corporation. Each shareholder has the right to appoint a person or persons, who need not be shareholders of the Corporation, other than the persons designated in the Form of Proxy furnished by the Corporation, to attend and act on such shareholder's behalf at the Meeting. To exercise such right, the names of management's nominees may be crossed out and the name(s) of the shareholder's nominee(s) legibly printed in the blank space provided, or another appropriate instrument of proxy may be submitted.

Revocability of Proxy

An instrument of proxy may be revoked at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a shareholder may revoke a proxy by depositing an instrument in writing executed by the shareholder or by its attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited at the registered office of the Corporation, 4110 - 9th Street SE, Calgary, Alberta, T2G 3C4, at any time up to and including the last business day before the day of the Meeting, or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits the proxy is revoked.

Persons Making the Solicitation

This solicitation is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of the Instrument of Proxy, the Notice of Annual General Meeting of Shareholders and this Information Circular - Proxy Statement will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, telephone or other means of communication by Directors, officers and employees of the Corporation, none of whom will be specifically remunerated therefor.

Exercise of Discretion

The shares represented by the Instrument of Proxy furnished by the Corporation, where the shareholder specifies a choice with respect to any matter to be acted upon, will be voted or withheld from voting on any ballot in accordance with the specification so made. **In the absence of such specification, such shares will be voted in favour of the matters described in the Notice of Annual General Meeting of Shareholders. The persons appointed under the Instrument of Proxy furnished by the Corporation are conferred discretionary authority with respect to amendments or variations of those matters specified in the Instrument of Proxy and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of the printing of this Information Circular - Proxy Statement, the management of the Corporation knows of no such amendment, variation or other matter.**

Advice to Beneficial Holders of Securities

The information set forth in this section is of significant importance to many public shareholders of Hemisphere GPS, as a substantial number of the public shareholders of Hemisphere GPS do not hold shares in their own name. Shareholders who do not hold their shares in their own name (referred to in this Information Circular as "Beneficial Shareholders") should note that only proxies deposited by shareholders whose names appear on the records of Hemisphere GPS as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in the shareholder's name on the records of Hemisphere GPS. Such shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are prohibited from voting shares for their clients. The Directors and officers of Hemisphere GPS do not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of the Meeting. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholders how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). If you receive a voting instruction form from Broadridge or another intermediary it cannot be used as a proxy to vote shares directly at the meeting as the proxy must be returned (or otherwise reported as provided in the voting instruction form) as described in the voting instruction form well in advance of the meeting in order to have the shares voted.

There are two kinds of Beneficial Shareholders – those who object to their name being made known to the issuers of securities which they own (called "**OBOs**" for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called "**NOBOs**" for Non-Objecting Beneficial Owners).

Up until September 2002, issuers (including the Directors and officers of the Corporation) had no knowledge of the identity of any of their Beneficial Shareholders including *NOBOs*. Subject to the provision of National Instrument 54-101 – "*Communication with Beneficial Owners of Securities of Reporting Issuers*" ("**NI 54-101**"), however, after September 1, 2002 issuers could request and obtain a list of their NOBOs from intermediaries via their Transfer Agents. Prior to September 1, 2004 issuers could obtain this NOBO list and use it for specific purposes connected with the affairs of the Corporation except for the distribution of proxy-related materials directly to NOBOs. This was stage one of the implementation of NI 54-101. Effective for shareholder meetings taking place on or after September 1, 2004 issuers can obtain and use this NOBO list for distribution of proxy-related materials directly (not via ADP) to NOBOs. This is stage two of the implementation of NI 54-101.

This year, the Corporation has decided to take advantage of those provisions of NI 54-101 that permit it to directly deliver proxy-related materials to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form ("**VIF**") from our Transfer Agent, Computershare Trust Company of Canada (or Computershare Investor Services Inc. as the case might be) (collectively, "**Computershare**"). These VIFs are to be completed and returned to Computershare in the envelope provided or by facsimile. In addition, Computershare provides both telephone voting and internet voting as described on the VIF itself which contain complete instructions. Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs they receive.

PART III - MATTERS TO BE ACTED UPON AT THE MEETING

Fix the Number of Directors to be Elected at the Meeting and Election of Directors

The Articles of the Corporation specify that the Board of Directors shall consist of a minimum of three and a maximum of eleven directors. At the Meeting, shareholders will be asked to elect eight (8) directors to hold office until the next annual general meeting of the Corporation or until their successors are elected or appointed.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of an ordinary resolution fixing the number of directors to be elected at the Meeting at eight (8) members and in favour of the election as directors of the eight (8) nominees hereinafter set forth:

Barry D. Batcheller	Paul L. Camwell
Paul G. Cataford	Richard W. Heiniger
Steven L. Koles	Michael J. Lang
John M. Tye III	Howard W. Yenke

The names, province and country of residence of the persons nominated for election as Directors, the number of Common Shares beneficially owned or controlled or directed, directly or indirectly, the offices held by each in the Corporation, the period served as Director and the principal occupation of each are as follows:

Name, Municipality, Province and Country of Residence and Position with the Corporation	Principal Occupation During the Last Five Years	Director Since	Number of Common Shares Beneficially Owned or Controlled or Directed, Directly or Indirectly
Michael J. Lang Alberta Canada Non-Executive Chairman and Director	Chairman of StoneBridge Merchant Capital Corp. (a private investment company).	1996	516,005[(4)] (1.05%)
Howard W. Yenke[(2)] Massachusetts USA Director and Chairman of the Compensation Committee	Retired Executive.	1996	30,000[(5)] (0.06%)
Paul L. Camwell[(1) (3)] Alberta Canada Director and Chairman of the Corporate Governance Committee	Chief Technology Officer of Xact Downhole Telemetry (a private engineering firm).	1998	24,562[(6)] (0.05%)
Paul G. Cataford[(1)] Alberta Canada Director and Chairman of the Audit Committee	President and CEO of University Technologies International Inc. (a private technology commercialization company owned by the University of Calgary). Prior to joining University Technologies International Inc. in April of 2004, Mr. Cataford was the Managing Partner of HorizonOne Asset Management, a Toronto-based private equity boutique which he co-founded in 2001. Prior to that Mr. Cataford was Executive Managing Director of BMO Nesbitt Burns Equity Partners.	2004	3,000[(7)] (0.01%)
Richard W. Heiniger Missouri USA Director and Vice Chairman	CEO of RHS, Inc. (a private manufacturer of farm equipment). Also, formerly President of Hemisphere GPS LLC (formerly Satloc LLC) from April 2005 to May 2006.	2005	3,800,000[(9)] (7.75%)
John M. Tye III[(1) (3)] Texas USA Director	Chairman of Bigham Brothers Inc. (a private manufacturer of farm equipment).	2006	20,000[(10)] (0.04%)
Barry D. Batcheller[(2)] North Dakota USA Director	President and CEO of Appareo Systems (a private manufacturer of augmented reality systems) since 2005. Prior thereto Director of Technology Growth with John Deere & Company since 2002. Prior thereto, President and CEO of Phoenix International Corporation.	2006	Nil[(11)] (0%)

Name, Municipality, Province and Country of Residence and Position with the Corporation	Principal Occupation During the Last Five Years	Director Since	Number of Common Shares Beneficially Owned or Controlled or Directed, Directly or Indirectly
Steven L. Koles Alberta Canada President and Chief Executive Officer	President and CEO of Hemisphere GPS Inc since September 8, 2006. Prior thereto General Manager at AOL Canada from 2003 to 2006. Prior thereto Managing Director of R4 Management Group / Windy Point Capital and Senior Vice President, Marketing & Sales Support of GT Group Telecom.	2007	50,000[(12)] (0.10%)

Notes:

(1) Member of the Corporation's Audit Committee.

(2) Member of the Corporation's Compensation Committee

(3) Member of the Corporation's Corporate Governance Committee

(4) The amount excludes share options to purchase an aggregate of 428,000 Common Shares at prices ranging from \$1.67 to \$2.65 per Common Share.

(5) Excludes share options to purchase an aggregate of 90,000 Common Shares at prices ranging from \$1.67 to \$2.70 per Common Share.

(6) Excludes share options to purchase an aggregate of 90,000 Common Shares at prices ranging from \$1.67 to \$2.70 per Common Share.

(7) Excludes share options to purchase an aggregate of 90,000 Common Shares at prices ranging from \$1.67 to \$2.70 per Common Share.

(8) These shares are registered to RHS, Inc., a company fully controlled by Mr. Heiniger. 2,400,000 of the common shares issued are held in escrow with 2,400,000 to be released on April 8, 2008. Effective December 31, 2007, 1,500,028 common shares became issuable to RHS under performance warrants issued to RHS as part of the acquisition of the Outback business assets in April 2005. Additional common shares were payable under the performance warrants based on revenue and profitability for the years 2005 to 2007. The common shares are expected to be issued on April 8, 2008.

(9) Excludes share options to purchase an aggregate of 90,000 Common Shares at prices ranging from \$1.67 to \$1.70 per Common Share.

(10) Excludes share options to purchase an aggregate of 90,000 Common Shares at prices ranging from \$1.67 to \$1.70 per Common Share.

(11) Excludes share options to purchase an aggregate of 200,000 Common Shares at prices ranging from \$1.67 to \$2.20 per Common Share.

The information as to principal occupation and as to shares beneficially owned or controlled or directed, directly or indirectly, is based upon information provided by the nominees as of March 30, 2008. Each of the above nominees are currently Directors of the Corporation and were elected at the last annual general meeting of shareholders.

Other than as disclosed below, no proposed director is as at the date hereof, or has been, within 10 years of the date hereof, a director, chief financial officer or chief executive officer of any company, including the Corporation, that:

(a) while the proposed director was acting in such capacity was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(b) was subject to an event that occurred while the proposed director was acting in such capacity which resulted, after the proposed director ceased to be a director, chief financial officer or chief executive officer, in the company being the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,

(c) while the proposed director was acting in that capacity or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or

instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Michael J. Lang who was previously a director of Beau Canada Exploration Ltd. One of the companies acquired by Beau Canada Exploration Ltd. was Environmental Technologies Inc. ("**ETI**"). After the acquisition, Michael J. Lang became a director of ETI. ETI was issued a cease trade order on August 28, 1997. Michael J. Lang subsequently resigned as a director of ETI on and ETI was wound up.

Steven L. Koles was previously an officer of GT Group Telecom Inc. In March 2002, Mr. Koles resigned from his position with that company. GT Group Telecom Inc. filed for CCAA protection prior to the end of 2002. GT Group Telecom Inc. later merged with 360 Networks Inc.

In addition, no proposed director of the Corporation has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Appointment of Auditors

The persons named in the Instrument of Proxy furnished by the Corporation intend, unless otherwise directed, to vote in favour of an ordinary resolution to reappoint the firm of KPMG, LLP, Chartered Accountants, to serve as auditors of the Corporation to hold office until the next annual general meeting of shareholders and to authorize the Board to fix their remuneration. KPMG, LLP, Chartered Accountants, were originally appointed as auditors of the Corporation on January 1, 1996.

The Audit Committee reviews the annual audit fees and considers the issue of auditor independence in the context of all services provided to the Corporation.

Certain information regarding Hemisphere GPS' audit committee, including the fees paid to Hemisphere GPS' auditors in the last fiscal year, that is required to be disclosed in accordance with National Instrument 52-110 of the Canadian Securities Administrators, is contained in Hemisphere GPS' annual information form for the year ended December 31, 2007, an electronic copy of which is available on the internet on Hemisphere GPS' SEDAR profile at www.sedar.com.

PART IV - INFORMATION CONCERNING THE CORPORATION

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized share capital of the Corporation consists of an unlimited number of Common Shares, an unlimited number of first preferred shares issuable in series and an unlimited number of second preferred shares, issuable in series. As at March 27, 2008, there were 54,560,687 Common Shares issued and outstanding and no first or second preferred shares issued and outstanding. Two persons present in person and holding or representing not less than five (5%) percent of the Common Shares entitled to vote thereat will constitute a quorum at the Meeting.

On December 27, 2007, the Corporation closed a bought-deal private placement of 5,555,600 special warrants ("Special Warrants") issued at a price of $3.15 per Special Warrant for total gross proceeds of $17,500,140. The Special Warrants were deemed to be exercised on March 26, 2008 and on March 26, 2008, 5,555,600 Common shares were issued and the Special Warrants were cancelled.

The holders of Common Shares are entitled to receive notice of all shareholders meetings (other than meetings of a class or series of shares of the Corporation other than the Common Shares) and to one (1) vote thereat for each share held. The holders of the Common Shares are entitled to receive such dividends as are declared by the Board of Directors on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to all shares of the Corporation ranking in priority to the Common Shares, and in respect of

return of capital, the holders of Common Shares are entitled to share pro rata together with the holders of any other classes of shares ranking equally with the Common Shares in such assets of the Corporation as are available for distribution.

To the knowledge of the Directors or senior officers of the Corporation, no person beneficially owns or controls or directs, directly or indirectly, voting securities carrying more than ten (10%) percent of the voting rights attached to any class of voting securities of the Corporation as at the date hereof.

EXECUTIVE COMPENSATION

Compensation of Executive Officers

The information provided below relates to remuneration paid during the financial years ended December 31, 2007, December 31, 2006 and December 31, 2005 to the Corporation's Chief Executive Officer, the Chief Financial Officer and each of the Corporation's three most highly compensated executive officers (the "**Named Executive Officers**"). All figures are in Canadian dollars unless indicated otherwise.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation	Securities Under Options/ SARs Granted (#)	Restricted Shares or Restricted Share Units ($)	LTIP Payouts ($)	All Other Compensation ($)
Steven L. Koles President and Chief Executive Officer	2007 2006	262,500 (1) 78,686	64,665 (2) 10,000	Nil (1) Nil	100,000 100,000	Nil Nil	Nil Nil	9,629 (3) Nil
Cameron B. Olson Sr. Vice President & Chief Financial Officer	2007 2006 2005	220,500 201,201 167,888	28,999 (4) 78,100 Nil	Nil (11) Nil Nil	Nil 150,000 Nil	Nil Nil Nil	Nil Nil Nil	9,821 (5) Nil Nil
S. Dean Ryerson Sr. Vice President & COO Agriculture	2007 2006 2005	198,174 US 201,149 US 142,942 US	19,009 US (6) 25,000 US 58,500 US	Nil (11) Nil Nil	35,000 Nil 100,000	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Michael Whitehead Chief Scientist, Hemisphere GPS	2007 2006 2005	178,586 US 161,655 US 148,173 US	18,338 US (7) 20,000 US Nil	Nil (11) Nil Nil	Nil 50,000 50,000	Nil Nil Nil	Nil Nil Nil	7,750 US(8) 4,984 US Nil
Phil Gabriel General Manager, Precision Products	2007 2006 2005	165,000 159,000 159,000	17,122(9) Nil Nil	Nil (11) 34,217 (12) 8,208 (12)	35,000 Nil Nil	Nil Nil Nil	Nil Nil Nil	6,600 (10) Nil Nil

Notes:
(1) Mr. Koles joined Hemisphere GPS as President and Chief Executive Officer on September 8, 2006.
(2) Mr. Koles earned a bonus of $64,665 in 2007 that was paid in 2008. For 2006, Mr. Koles earned a bonus of $10,000 that was paid in 2007.
(3) The Corporation matched RRSP contributions to an employee savings plan for Mr. Koles totalling $9,629 in 2007.
(4) Mr. Olson earned a bonus of $28,999 in 2007 that was paid in 2008. For 2006, Mr. Olson earned a bonus of $78,100, of which $53,100 was paid in 2006 and $25,000 was paid in 2007.
(5) The Corporation matched RRSP contributions to an employee savings plan for Mr. Olson totalling $9,821 in 2007.
(6) Mr. Ryerson earned a bonus of $19,009 in 2007 that was paid in 2008. For 2006, Mr. Ryerson earned a bonus of $25,000US that was paid in 2007.
(7) Mr. Whitehead earned a bonus of $18,338US in 2007, of which $2,000US was paid in 2007 and $16,338US that was paid in 2008. For 2007, Mr. Whitehead earned a bonus of $20,000US that was paid in 2007.
(8) The Corporation matched 401(K) contributions to a 401(K) savings plan for Mr. Whitehead totalling $7,750US in 2007, $4,984US in 2006 and $nil for 2005.
(9) Mr. Gabriel earned a bonus of $17,122 in 2007 that was paid in 2008.
(10) The Corporation matched RRSP contributions to an employee savings plan for Mr. Gabriel totalling $6,600 in 2007.
(11) The total perquisites and other personal benefits is less than $50,000 and 10% of the total annual salary and bonus for the year.
(12) Mr. Gabriel earned commissions of $34,217 in 2006 and $8,208 in 2005.

Share Option Grants

The Corporation has from time to time, issued share options to Directors, officers, key employees and others who are in a position to contribute to the future success and growth of the Corporation and its subsidiaries. Pursuant to the Corporation's current Stock Option Plan (the "Plan") the aggregate number of Common Shares that may be issued pursuant to the exercise of share options shall not exceed a rolling maximum/evergreen limit equal to 10% of outstanding Common Shares, being 5,456,068 Common Shares on March 27, 2008. The exercise price of such share options cannot be less than the market price of the Common Shares on the stock exchange on which such shares are then traded.

The following table details the grants of share options to purchase Common Shares of the Corporation to the Named Executive Officers during the financial year ended December 31, 2007.

Name	Options Granted in 2007	% of Total Options Granted to Employees(1)	Exercise Price ($/share)	Market Value of Common Share on the Date of Grant(2) ($/share)	Expiry Date
Steven Koles	100,000	36%	2.20	2.20	March 9, 2012
Cameron Olson	Nil	N/A	N/A	N/A	N/A
Dean Ryerson	35,000	13%	2.20	2.20	March 9, 2012
Michael Whitehead	Nil	N/A	N/A	N/A	N/A
Phil Gabriel	35,000	13%	2.20	2.20	March 9, 2012

Notes:
(1) During the financial year ended December 31, 2007 a total of 275,000 share options to purchase Common Shares were granted under the Plan.
(2) Based on the closing price of the Common Shares on the TSX on the trading day immediately preceding the date of grant.

Stock Option Exercises

The following table sets forth information with respect to share options exercised by the Named Executive Officers during the most recently completed financial year and their respective share option positions as at December 31, 2007.

Name	Options Exercised (#)	Aggregate Value Realized ($)	Unexercised Options at December 31, 2007 Exercisable/ Unexercisable (#)	Value of Unexercised in-the-money Options at December 31, 2007 Exercisable/ Unexercisable(1) ($)
Steven Koles	Nil	Nil	60,417/139,583	104,542/224,457
Cameron Olson	20,000	25,448	334,000/Nil	585,660/Nil
Dean Ryerson	Nil	Nil	95,455/39,545	9,319/40,381
Phil Gabriel	Nil	Nil	25,063/28,437	35,594/40,381
Michael Whitehead	Nil	Nil	90,697/49,303	156,467/96,432

Note:
(1) Based upon a closing price on the TSX of $3.62 per Common Share on December 31, 2007, less the exercise price.

Securities Authorized For Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under the Corporation's equity compensation plans at December 31, 2007.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders(1)	2,785,468 Common Shares	$2.18	2,096,466 Common Shares
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	2,785,468 Common Shares	$2.18	2,096,466 Common Shares

Note:
(1) Relates to the Plan.

Executive Employment Contracts and Termination of Employment

The Corporation has entered into employment agreements with Messrs. Koles, Olson and Ryerson. They provide, *inter alia,* that if employment of Messrs. Koles, Olson, or Ryerson is terminated for any reason, other than for cause, they shall be entitled to certain termination payments ("**Termination Payments**"). Mr. Koles' agreement provides for a Termination Payment equal to the one year's salary plus a payment of 15% in lieu of benefits. Mr. Olson's agreement provides for a Termination Payment equal to the product of twelve, plus one for each completed year of service, times the monthly salary plus 15% in lieu of benefits, to a maximum of two years salary and benefits. Mr. Ryerson's agreement provides for a Termination payment equal to the product of twelve months, plus one month for each completed year of service, times the monthly salary, to a maximum of two years salary.

In the event that a change of control takes place, Messrs. Olson and Ryerson will not voluntarily leave the employment of Hemisphere GPS for six (6) months after the change, except with written approval. Mr. Koles' agreement provides that in the event of a change of control situation, he will not voluntarily leave the employ of the Corporation until six months after the change of control event has been affected, or after the change of control efforts have been terminated. Furthermore, in the event of a change of control situation, Mr. Koles agreement provides compensation equal to one times the current annual base salary if the employment agreement is terminated as a result of the change of control event, or if he accepts ongoing employment with a reduced title or responsibilities following the change of control.

Share Option Plan

The Plan permits the granting of share options to purchase Common Shares to officers, Directors and key employees of, and key consultants to, the Corporation. Currently, the Plan has a rolling maximum/evergreen limit for the issuance of stock options up to, but not in excess of 10% of outstanding Common Shares. At December 31, 2007, there were 48,819,341 Common Shares outstanding, providing a stock option limit of 4,881,934. Stock options are currently outstanding, leaving share options to purchase approximately 2,096,466 Common Shares or approximately 4.3% of the issued and outstanding number of Common Shares at December 31, 2008 available for issuance under the Plan. As at March 27, 2008, there were share options to purchase 2,588,612 Common Shares (or approximately 4.7% of the Common Shares outstanding as at such date) outstanding under the Plan.

Stock options are granted under the Plan in accordance with a policy approved by the Board of Directors and provide for pricing at the closing price of the Common Shares of the Corporation on the date that is 15 trading days following the date identified in the policy with respect to such stock options. Current outstanding stock options granted under the Plan are issued with a vesting period of between two to four years, and generally expire after five years.

At the Corporation's Special and Annual Meeting on May 9, 2007, certain amendments were approved by shareholders relating to the Share Option Plan, including the following:

1. the adoption of a rolling maximum/evergreen share option plan with a rolling maximum limit equal to 10% of outstanding Common Shares;

2. the addition of provisions enabling the automatic extension of the exercise period of a share option during a self-imposed blackout period for a maximum of 10 days following the end of such blackout period; and

3. the addition of specific "amending provisions" to the Plan.

Compensation Committee

The Directors of the Corporation established a compensation committee (the "**Compensation Committee**") in May, 1996. The Compensation Committee is currently comprised of Howard W. Yenke (Chairman) and Barry D. Batcheller. Neither of these Directors are executive officers of the Corporation and both are "independent" as defined in National Instrument 58-101 of the Canadian Securities Administrators. See Schedule "A" *Corporate Governance Disclosure* attached hereto.

The Compensation Committee is charged with the responsibility to oversee the approach of the Corporation to matters concerning Director, executive and employee compensation and, from time to time, to make recommendations to the Board of Directors with respect to such matters. The *Compensation Committee Terms of Reference* have been attached as Schedule D.

REPORT OF COMPENSATION COMMITTEE

TO: The Shareholders of Hemisphere GPS Inc.

Executive Compensation Strategy

The Corporation's executive compensation program is comprised of three components: salary, incentive compensation, and stock-based compensation. The objectives of the program are to attract and retain high quality employees, and to motivate performance by tying total compensation to improvement in the Corporation's long-term financial success, measured in terms of financial performance and growth in the share value.

Base Salaries

Salaries of the executive officers are reviewed annually based on individual performance, responsibility and experience. The Corporation participates in industry salary surveys, if necessary, to ensure that salaries offered to executives are competitive among industry peer companies of similar size. During 2006, the Corporation engaged a third party consulting firm to assist in the development of a comprehensive compensation program that will ensure that the Corporation remains externally competitive. The program will apply to all employees of the Corporation, including officers.

Incentive Compensation Plan

The Corporation has established an incentive compensation plan for its executive officers based upon the financial performance of the Corporation for the applicable financial year and the individual performance of the executive officers. The structure and performance targets of the incentive compensation plan are reviewed annually,

and are approved by the Compensation Committee. Bonuses may also be paid to certain executive officers upon the completion of certain significant events as approved by the Compensation Committee.

During 2007, corporate profitability was within a range established in the executive incentive compensation plan approved by the Compensation Committee, and as a result, incentive compensation payments were awarded to executive officers under the executive incentive compensation plan. Individual bonuses were awarded to certain executive officers based upon the evaluation of their performance relative to expectations and with the approval of the Compensation Committee. No waivers or adjustments of performance criteria were made with respect to any incentive compensation plans for the Named Executive Officers.

Stock-Based Compensation

Share options under the Plan are granted to executive officers based upon their performance, the performance of the Corporation and the competitive practices of comparable companies. The awarding of share options serves to motivate the executive officers to focus on the long term interests of the Corporation, which is consistent with the interests of the Corporation's shareholders. Share options are granted at the market price in effect at the time of the grant and the ultimate realizable value of the executives' option grants is entirely dependent on the appreciation in the market price of the Common Shares after the date of the grant.

CEO Compensation

The Chief Executive Officer's responsibility is to provide direction and leadership in setting and achieving goals which will create value for the Corporation's shareholders. Steven L. Koles was Chief Executive Officer of the Corporation throughout 2007 and received base salary payments of $262,500. In addition, Mr. Koles was awarded a bonus of $64,665 by the Compensation Committee for corporate performance under the executive incentive compensation plan and for individual performance relative to expectations.

Mr. Koles' compensation package was reviewed relative to published data in respect of chief executive officer compensation within the industry and based upon consideration of Mr. Koles' experience and performance. This review included publicly available information for small-cap and mid-cap technology-related companies in the local and national regions.

In addition to salary, the Chief Executive Officer has the ability to receive share option grants. The intent of the share option opportunity is to provide the Chief Executive Officer with incentive to strategically grow the Corporation with such growth to be reflected in the market price of the Corporation's Common Shares, thereby benefiting both the Chief Executive Officer and the shareholders of the Corporation. In 2007, Mr. Koles was granted 100,000 share options.

Summary

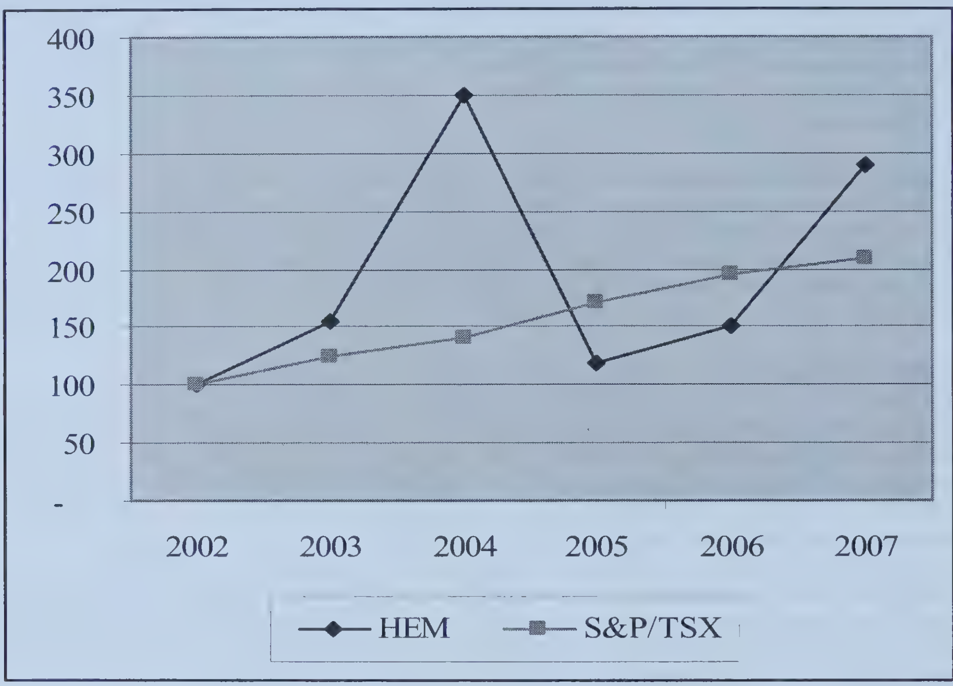
The Corporation's compensation policies have allowed the Corporation to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing shareholder value. Through the plans described above, a significant portion of the Corporation's executive compensation is based on individual and corporate performance and industry-competitive pay practices. The Compensation Committee and the Board of Directors will continue to review compensation policies to ensure that they are competitive within the industry in which the Corporation operates and consistent with the performance of the Corporation.

Presented by the Compensation Committee:

Howard W. Yenke, Chairman
Barry D. Batcheller

Performance Graph

The following graph compares the Corporation's cumulative total shareholder return (assuming an investment of $100 on December 31, 2002) on the Common Shares of the Corporation during the period ended December 31, 2007, with the cumulative total return of the TSX 300 Composite Index for the same period.



	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007
Hemisphere GPS	100	155	350	118	151	290
S&P/TSX Composite Index	100	124	140	170	195	209

Compensation of Directors

Directors who are also executive officers of Hemisphere GPS do not receive compensation for acting in their capacities as directors. Directors of the Corporation who are not executive officers receive compensation for serving in their capacity as such as determined by the Compensation Committee.

An aggregate of $346,120 was paid to Directors for serving in such capacity during the financial year ended December 31, 2007. Included in the aggregate amount paid to the Directors is:

- $50,000 paid to Michael Lang in his capacity as Chairman of the Board;
- $94,396US paid to Richard Heiniger for Directors fees and executive services provided in his capacity as Director and Vice-Chairman from January to July, 2007. As of August 1, 2007, the Vice-Chairman's fee was set at $35,000 on an annual basis;
- Directors fees of $15,000 per annum for each Director;
- $9,500 per annum is paid to the Chairman of the Audit Committee and $5,000 per annum is paid to the Chairman of each of the Compensation Committee and the Corporate Governance Committee; and

- $1,000 per meeting attended by Directors.

All Directors are reimbursed for out-of-pocket expenses incurred in connection with the performance of their duties.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

The aggregate indebtedness to the Corporation of all senior officers and directors of the Corporation was $683,668US as at March 30, 2008. Details with respect to the outstanding indebtedness are set forth below:

Name and Principal Occupation	Involvement of the Corporation	Largest Amount Outstanding from January 1, 2007 to December 31, 2007 ($)	Amount Outstanding at February 29, 2008 ($)	Financially Assisted Securities Purchases from January 1, 2006 to December 31, 2007 (#)	Security for Indebtedness
RHS, Inc., Controlling shareholder is Richard Heiniger	Lender	$1,542,662US	Nil	Nil	See below

Except as set forth below, no Director, executive officer or other senior officer of the Corporation, or any associate of any such Director or officer, is, or has been at any time since the beginning of the most recently completed financial year of the Corporation, indebted to the Corporation or any of its subsidiaries nor is, or at any time since the beginning of the most recently completed financial year of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

RHS, Inc.

On April 8, 2005, the Corporation completed the acquisition of the Outback business assets from RHS, Inc. ("**RHS**"), a company that is controlled by Richard Heiniger, a Director of the Corporation. Subsequent to the acquisition, the Corporation has entered into transactions with RHS, including the lease of a building, the sharing of employees and the use of a chartered aircraft owned by RHS. In addition, under the Outback business acquisition agreement, RHS has indemnified the Corporation for a share of the costs associated with certain claims against the Corporation, the payment for which is not due until the related claim is settled or terminated.

In connection with the indemnification described in the previous paragraph, 450,000 Common Shares of the Corporation are held in escrow as security for amounts owing to the Corporation under the indemnification. The indemnification of Hemisphere GPS relating to the holding of these Common Shares was satisfied during 2007 and as a result, the related Common shares will be released from escrow on April 8, 2008.

Amounts owing to the Corporation in 2007 related to the above related party transactions are more fully described in the notes to the Corporation's consolidated financial statements for the year ended December 31, 2007, which are available on the internet on Hemisphere GPS' SEDAR profile at www.sedar.com.

INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON AT THE MEETING

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise of any Director or executive officer who has held office as such since the beginning of the Corporation's last financial year, any proposed director, or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting, other than the election of directors or except as disclosed elsewhere in this Information Circular.

INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of any proposed Directors of the Corporation, or any Informed Person (as defined in National Instrument 51-102) of the Company or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

OTHER MATTERS

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual Meeting of Shareholders. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is on SEDAR at www.sedar.com. Financial information is provided in the Corporation's comparative financial statements and management discussion and analysis for its most recently completed financial year. The Corporation will provide, without charge to a security holder, a copy of Hemisphere GPS' latest annual information form and any documents incorporated therein by reference, the 2007 annual report to shareholders containing comparative financial statements for 2007 together with the auditors' report thereon and management's discussion and analysis, interim financial statements for subsequent periods, and this information circular upon request to the Chief Financial Officer, 4110 – 9th Street SE, Calgary, Alberta, T2G 3C4. If you wish, this information may also be accessed on Hemisphere GPS' website (www.hemispheregps.com) or on SEDAR at www.sedar.com.

CORPORATE GOVERNANCE

Corporate governance disclosures and policies required by National Instrument 58-101 are attached to this Information Circular as "Schedule A."

SCHEDULE A

CORPORATE GOVERNANCE DISCLOSURE

Corporate governance disclosures are required by National Instrument 58-101 – Disclosure of Corporate Governance Practices to be included in this Management Proxy Circular.

- **Board of Directors**

Disclose the identity of directors who are independent.

Paul L. Camwell, Paul G. Cataford, Michael J. Lang, Howard W. Yenke, Barry D Batcheller and John Tye III are independent within the meaning of National Instrument 58-101. These Directors are not a part of Hemisphere GPS management and do not have any direct or indirect material relationship with the Corporation which could or could reasonably be expected to interfere with the exercise of the Directors' independent judgement.

Disclose the identity of directors who are not independent, and describe the basis for that determination.

Steven Koles is not independent as he is the President and Chief Executive Officer of Hemisphere GPS.

Richard Heiniger is not independent as he was President of Hemisphere GPS LLC, a wholly-owned subsidiary of Hemisphere GPS from April 2005 to May 2006.

Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.

A majority of the directors are independent. There are eight Directors in total, six of whom are independent.

If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

Name of Director	Name of Other Reporting Issuers
Michael Lang	A member of the board, and chairs the audit committee of Dynetek Industries Ltd.
Barry Batcheller	N/A
Paul Camwell	N/A
Paul Cataford	A member of the board of Sierra Wireless Inc.
Richard Heiniger	N/A
Steven Koles	A member of the board, and chairman of the compensation committee, of Route1 Inc.
John Tye III	N/A
Howard Yenke	N/A

Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.

The Compensation Committee and the Audit Committee are all composed entirely of independent Directors. These committees hold regular meetings without the attendance of non-independent Directors.

Commencing in 2006, the Hemisphere GPS board ("**the Board**") began adding a standing or regular item to its agendas so that at all Board meetings, there is time available for the independent Directors to meet alone, apart from the non-independent Directors. However, following the resignation of Stephen Verhoeff as a Director and CEO and the resignation of Richard Heiniger as President of Hemisphere GPS LLC, in May 2006, it has been determined that because of the significant number of independent Directors on the board separate meetings of the independent Directors are no longer required.

Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.

The Chair of the Board, Michael Lang, is an independent Director within the meaning of NI 58-101.

Disclose the attendance record of each directors for all board meetings held since the beginning of the issuer's most recently completed financial year.

Michael Lang – 100%

Barry Batcheller - 100%

Paul Camwell – 100%

Paul Cataford – 100%

Rick Heiniger – 100%

Steven Koles – 100%

John Tye III - 100%

Howard Yenke – 100%

- **Board Mandate – Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.**

  The Mandate of the Board is attached to this Information Circular as Schedule B.

- **Position Descriptions**

  Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.

The Board has developed a position description for the Board chairman. The Board has also developed specific Terms of Reference for each of its standing committees. The terms describe the committees and by inference their chairs' roles. The Terms of Reference for the Audit Committee ("**Schedule C**"), Compensation Committee ("**Schedule D**") and Corporate Governance Committee ("**Schedule E**") are attached.

Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.

The Board and the CEO have developed a written position description for the CEO.

- **Orientation and Continuing Education**

Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.

The Corporate Governance Committee, by its terms of reference ("**Schedule E**"), is responsible to develop an orientation and education program for new recruits to the Board. The committee assesses new Directors' knowledge of the Corporation's business (products, industries, technologies, competition, etc.), identifies areas where more information is necessary, and provides that information through reference materials, meetings with staff, and through other means. In addition, the Committee provides new Directors with copies of the Board's mandate, the standing committees' Terms of Reference, and other documentation.

Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

Board members pursue continuing education opportunities as considered appropriate by the particular Board member. For example, a Board member has taken and graduated from the Institute of Corporate Directors' "Directors Education Program." In order to ensure that the Board remains knowledgeable about relevant technologies and industries, Board members receive regular technical or other relevant presentations as part of Board meetings and otherwise as considered necessary, and tour Hemisphere GPS' facilities.

- **Ethical Business Conduct**

Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code

The Board has adopted a written Code of Conduct ("**Code**") for all Directors, officers and employees.

Disclose how a person or company may obtain a copy of the code

The Code is posted on Hemisphere GPS' internal and external Internet websites, and has been filed on the System for Electronic Document Analysis and Retrieval (SEDAR).

Describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code

All Hemisphere GPS Directors, officers and employees annually sign a form saying they are in compliance with the Code of Conduct. The Code includes specific procedures for anyone wanting to report a perceived violation of the Code. These procedures include access to an anonymous "whistle-blower hotline" (overseen by a third-party organization) that relays Code concerns directly to the Audit Committee. The

Audit Committee has a standing or regular item on its meeting agendas to ensure that any submissions to the "whistle-blower hotline" are addressed promptly and thoroughly.

Provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

There were no material change reports filed pertaining to any departures from the Code.

Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.

Board members and executive officers are required to declare the nature and extent of any material interest in any transactions or agreements and may not vote in relation to any such matter. In certain cases an independent committee may be formed to deliberate on such matters in the absence of the interested party.

Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

Due to the fact Hemisphere GPS has a Code of Conduct, an effective procedure for monitor and enforcing the Code, a Board Mandate, Board chairman position description, and committee Terms of Reference, we see no need at this time for additional steps.

- **Nomination of Directors**

Describe the process by which the board identifies new candidates for board nomination.

The Board's Corporate Governance Committee is responsible to develop and maintain a list of potential candidates for Board membership when necessary, and to review, interview, and recommend nominees to the full Board. Other Board members and management may also provide recommendations for nominees. Nominees must possess general business management experience, together with specific experience in areas of strategic interest to Hemisphere GPS. Nominees must also be willing and able to devote the required time and energy to Board responsibilities, and to support the Corporation's mission and strategic objectives.

Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.

The Corporate Governance Committee, which is responsible for nominating Directors, is comprised of two independent Directors.

If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

The Board's Corporate Governance Committee, when the need for Board nominations arises, compiles and reviews a list of potential Board members and makes recommendations to the Board.

- **Compensation**

Describe the process by which the board determines the compensation for the issuer's directors and officers.

The Compensation Committee is responsible to review Directors' and officers' compensation, and where appropriate to make recommendations to change the compensation. To make its recommendations, the Committee takes into account the nature and amount of compensation paid to Directors and officers of comparable publicly traded Canadian companies and the circumstances of the Corporation.

Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.

The Compensation Committee is comprised entirely of independent Directors.

If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

The Compensation Committee is charged with the responsibility to oversee the approach of the Corporation to matters concerning Director, executive and employee compensation and, from time to time, to make recommendations to the Board of Directors with respect to such matters.

See the Compensation Committee's Terms of Reference in the attached "Schedule D".

If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.

During 2006, the Corporation engaged a third party consulting firm to assist in the development of a comprehensive compensation program that will ensure that the Corporation remains externally competitive. The program applies to all employees of the Corporation, including officers, but does not apply to Directors. The consultant provided no other services to the Corporation during the year.

- **Other Board Committees**

If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

See the Corporate Governance Committee's Terms of Reference in the attached "Schedule E".

- **Assessments**

Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

The Corporate Governance Committee is responsible by its Terms of Reference for periodically assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual Directors. The Committee conducts an annual review by circulating questionnaires to each Director. In the questionnaires, the Directors assess their own performance and that of their colleagues. The resulting information is returned to the Board Chairman for review.

SCHEDULE B

MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors (the "Board") of the Corporation is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of the Corporation. In general terms, the Board will:

A. in consultation with the chief executive officer of the Corporation (the "CEO"), define the principal objective(s) of the Corporation;

B. supervise the management of the business and affairs of the Corporation with the goal of achieving the Corporation's principal objective(s) as defined by the Board;

C. discharge the duties imposed on the Board by applicable laws; and

D. for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board, through discussion with the CEO and other management, will perform the following duties:

Strategic Direction, Operating, Capital and Financial Plans

a. require the CEO to present annually to the Board a strategic business plan for the Corporation's business, which must:

    (i) be designed to achieve the Corporation's principal objectives,

    (ii) identify the principal strategic and operational opportunities and risks of the Corporation's business, and

    (iii) be approved by the Board as a pre-condition to the implementation of such plan;

b. review progress towards the achievement of the goals established in the strategic, operating and capital plans;

c. review the principal risks of the Corporation's business and the steps the Corporation is undertaking to manage these risks;

d. approve the annual operating and capital plans;

e. approve issuances of additional common shares or other securities to the public;

f. monitor the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances;

Management and Organization

g. appoint the CEO and determine the terms of the CEO's employment with the Corporation;

h. in consultation with the CEO, develop a position description for the CEO;

i. evaluate the performance of the CEO periodically;

j. in consultation with the CEO, establish the limits of management's authority and responsibility in conducting the Corporation's business;

k. in consultation with the CEO, appoint all officers of the Corporation and approve the terms of each officer's employment with the Corporation;

l. receive periodically from the CEO the CEO's evaluation of the performance of each senior officer who reports to the CEO;

m. develop a system under which succession to senior management positions will occur in a timely manner;

n. approve any proposed significant change in the management organization structure of the Corporation;

o. approve all retirement plans, if any, for officers and employees of the Corporation;

p. in consultation with the CEO, establish a communications policy for the Corporation;

q. generally provide advice and guidance to management;

Finances and Controls

r. discuss with management the Corporation's systems to manage the risks of the Corporation's business and whether such systems are appropriate in the circumstances;

s. consider the appropriateness of the Corporation's capital structure;

t. review with management the procedures and controls in place to ensure that the financial performance of the Corporation is properly reported to shareholders, other security holders and regulators on a timely and regular basis and whether such systems are appropriate in the circumstances;

u. in consultation with the CEO, establish the ethical standards to be observed by all officers and employees of the Corporation and a process to monitor compliance with those standards;

v. review with management the processes and systems designed to ensure compliance with applicable laws by the Corporation and its officers and employees and whether such systems are appropriate in the circumstances;

w. review with management the steps taken by the Corporation to maintain the integrity of internal control and information systems, including maintenance of all required records and documentation;

x. review and approve material contracts to be entered into by the Corporation;

y. recommend to the shareholders of the Corporation a firm of chartered accountants to be appointed as the Corporation's auditors;

z. take all necessary actions to gain reasonable assurance that all financial information made public by the Corporation (including the Corporation's annual and quarterly financial statements) is accurate and complete and represents fairly the Corporation's financial position and performance;

Governance

aa. in consultation with the Chairman of the Board, develop a position description for the Chairman of the Board;

bb. facilitate the continuity, effectiveness and independence of the Board by, amongst other things,

(i) selecting nominees for election to the Board,

(ii) appointing a Chairman of the Board who is not a member of management;

(iii) appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate,

(iv) defining the terms of reference of each committee of the Board,

(v) implementing processes to assess the effectiveness of the Chairman of the Board, the Board as a whole, each committee of the Board and each director,

(vi) establishing a system to enable any director to engage an outside adviser at the expense of the Corporation;

cc. review periodically the adequacy and form of the compensation of directors;

Delegation

dd. the Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board;

Meetings

ee. the Board shall meet at least two times per year and/or as deemed appropriate by the Board Chair;

ff. minutes of each meeting shall be prepared;

gg. the Chief Executive Officer or his designate(s) may be present at all meetings of the Board;

hh. Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board;

ii. if requested by any director, the members of the Board who are not members of the Corporation's management, will meet separately from directors who are members of management, to discuss any matters raised by the director requesting the separate meeting;

Report/Authority

jj. following each meeting, the secretary of such meeting will promptly report to the Board by way of providing draft copies of the minutes of the meetings.

SCHEDULE C

AUDIT COMMITTEE TERMS OF REFERENCE

1. **Establishment of Audit Committee:** The board of directors (the "Board") hereby establish a committee to be called the Audit Committee (the "Committee").

2. **Membership:** The Committee shall be composed of three members or such greater number as the Board may from time to time determine, all of whom shall be "independent", as such term is defined in Multilateral Instrument 52-110, "Audit Committees" ("MI 52-110"). Members shall be appointed periodically from among the "independent" members of the Board. All members of the Committee shall be financially literate, being defined under MI 52-110 and herein as having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporation's financial statements.

3. **Mandate:** The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities.

Audit Committee Purpose

Through discussion with management and the external auditors of the Corporation, the Audit Committee will be responsible to:

- Monitor the management of the principal risks that could impact the financial reporting of the Company;
- Monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- Oversee and monitor the independence and performance of the Company's external auditors;
- Provide an avenue of communication among the external auditors, management and the Board of Directors, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- Encourage adherence to, and continuous improvement of, the Company's policies, procedures, and practices at all levels;
- Monitor compliance with legal and regulatory requirements; and
- Ensure that effective procedures are in place for the anonymous submission, receipt, retention and treatment of complaints and concerns regarding accounting, internal control and auditing matters.

Audit Committee Duties and Responsibilities

Primarily through review and discussion with management and the external auditors, the Audit Committee is responsible to:

Review Procedures

(a) Review periodically the Committee's Terms of Reference;

(b) Review the Company's annual audited financial statements and related documents, including the press release and MD&A, prior to filing or distribution. Review should include discussion with

management and external auditors of significant issues regarding accounting principles, practices, and significant management estimates and judgments;

(c) Following completion of the annual audit, review separately with each of management and the independent auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;

(d) Review any significant disagreements among management and the independent auditors in connection with the preparation of the financial statements;

(e) Periodically, in consultation with management and external auditors, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures;

(f) Review risk management policies and procedures of the Company (i.e., litigation and insurance);

(g) Periodically review and assess the adequacy of the procedures that are in place for the review of the Company's public disclosure of financial information extracted from or derived from the Company's financial statements;

(h) Review significant findings prepared by the external auditors together with management's responses;

(i) Review the principal risks affecting financial reporting;

(j) Review with financial management and the external auditors, and approve, the company's quarterly financial results and related documents, including the quarterly press releases and MD&A, prior to the public release. By approval of these Terms of Reference for the Audit Committee, the Board delegates the authority to approve these documents on behalf of the Board;

(k) Discuss any significant changes to the Company's accounting principles prior to their adoption. The Chair of the Committee may represent the entire Audit Committee for purposes of this review;

External Auditors

(l) The external auditors are ultimately accountable to the Audit Committee and the Board of Directors, as representatives of the shareholders. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the external auditors or approve any discharge of auditors when circumstances warrant;

(m) Approve the fees and other significant compensation to be paid to the external auditors;

(n) On an annual basis, the Committee should review and discuss with the external auditors all significant relationships they have with the Company that could impair the auditors' independence;

(o) Review the external auditors' audit plan - discuss and approve audit scope, staffing, locations, reliance upon management, and general audit approach;

(p) Prior to releasing the year-end financial results, discuss the results of the audit with the external auditors. Discuss certain matters required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants;

(q) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting;

(r) Approve all non-audit services to be provided to the Corporation by the external auditors' firm, prior to such services being performed, except that by approval of these terms of reference, the Audit Committee hereby approves the following non-audit services to be provided by the external auditors:

  (i) Tax services connected with the preparation of the Corporation's tax returns, or the tax returns of any of its subsidiaries; and

  (ii) Due diligence and tax services connected with any mergers, acquisitions or dispositions being considered by the Corporation;

(s) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present or former auditors;

(t) When there is to be a change in external auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;

Legal Compliance

(u) On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies; and

Other Audit Committee Responsibilities

(v) Periodically assess the effectiveness of the committee against its terms of reference and report the results of the assessment to the Board.

4. **Administrative Matters:** The following general provisions shall have application to the Committee:

(a) The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties;

(b) Two members of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. Meetings may occur via telephone or teleconference;

(c) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its independent members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains;

(d) The Committee shall meet at least four times per year and/or as deemed appropriate by the Chair;

(e) If deemed necessary by the Chair, agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings;

(f) Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chief Executive Officer by the Board Chair;

(g) The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee;

(h) The time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Committee, unless otherwise determined by the by-laws of the Corporation or by resolution of the Board;

(i) Unless otherwise designated by the Board, the members of the Committee shall elect a Chairman from among the members and the Chairman shall preside at all meetings of the Committee. The Chairman of the Committee shall have a second and deciding vote in the event of a tie. In the absence of the Chairman, the members of the Committee shall appoint one of their members to act as Chairman;

(j) Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.

SCHEDULE D

COMPENSATION COMMITTEE TERMS OF REFERENCE

1. **Establishment of Compensation Committee:** The board of directors (the "Board") hereby establish a committee to be called the Compensation Committee (the "Committee").

2. **Membership:** The Committee shall be composed of two members or such greater number as the Board may from time to time determine, of whom the majority shall be "independent" directors as defined in Multilateral Instrument 52-110 "Audit Committees". Members shall be appointed periodically from among the members of the Board.

3. **Mandate:** The Committee shall, in addition to any other duties and responsibilities specifically delegated to it by the Board, generally assume responsibility for overseeing the approach of the Corporation to matters concerning director, executive and employee compensation and, from time to time, shall review and make recommendations to the Board as to such matters. Specifically, the Committee will have the authority and responsibility for:

   (a) reviewing on a periodic basis the compensation of the Board, considering whether such compensation is appropriate in the circumstances giving consideration to the market for companies of similar size and nature, and to the circumstances of the Corporation, and recommending to the Board changes in director compensation based upon such review;

   (b) reviewing on a periodic basis the compensation of the Senior Executives of the Corporation, considering whether such compensation is appropriate in the circumstances giving consideration to the market for companies of similar size and nature, and to the circumstances of the Corporation, and recommending to the Board changes in executive compensation based upon such review;

   (c) reviewing, on a periodic basis the compensation program of the Corporation, considering whether such compensation is appropriate in the circumstances giving consideration to the market for companies of similar size and nature, and to the circumstances of the Corporation, and approving changes to the compensation program. For this purpose, the compensation program of the Corporation will include salaries, benefit programs, stock-based compensation programs, incentive compensation programs, and all other items impacting the compensation of all employees of the Corporation;

   (d) make recommendations to the board of directors regarding appointments of corporate officers and senior management;

   (e) monitoring the human resources practices of the Corporation, including the development and implementation of policies, performance management and other processes impacting employee recruitment and retention;

   (f) reviewing corporate goals and objectives relevant to Chief Executive Officer compensation and together with the independent directors determine and approve the Chief Executive Officer's compensation based on evaluation from the Chairman of the Board;

   (g) making recommendations to the board of directors with respect to compensation of executive officers other than the Chief Executive Officer and incentive compensation and equity based plans that are subject to board approval;

(h) reviewing annually and recommending for approval to the board of directors the executive compensation disclosure and "Report of the Compensation Committee" disclosure of the Corporation in its information circular; and

(i) reviewing periodically the Committee's Terms of Reference.

4. **Administrative Matters:** The following general provisions shall have application to the Committee:

(a) the Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation;

(b) two members of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. Meetings may occur via telephone or teleconference;

(c) any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains;

(d) the Committee shall meet at least two times per year and/or as deemed appropriate by the Chair;

(e) if deemed necessary by the Chairman, agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings;

(f) any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chief Executive Officer by the Board Chair;

(g) the Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee;

(h) the time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Committee, unless otherwise determined by the by-laws of the Corporation or by resolution of the Board;

(i) unless otherwise designated by the Board, the members of the Committee shall elect a Chairman from among the members and the Chairman shall preside at all meetings of the Committee. The Chairman of the Committee shall have a second and deciding vote in the event of a tie. In the absence of the Chairman, the members of the Committee shall appoint one of their members to act as Chairman. Notwithstanding the foregoing, in all circumstances the Chairman must be an independent director, unrelated to the Corporation; and

(j) minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.

SCHEDULE E

CORPORATE GOVERNANCE COMMITTEE TERMS OF REFERENCE

1. **Establishment of Corporate Governance Committee:** The board of directors (the "Board") hereby establish a committee to be called the Corporate Governance Committee (the "Committee").

2. **Membership:** The Committee shall be composed of two members or such greater number as the Board may from time to time determine, of whom the majority shall be outside directors and unrelated to the Corporation. Members shall be appointed periodically from among the members of the Board.

3. **Mandate:** The Committee shall, in addition to any other duties and responsibilities specifically delegated to it by the Board, generally assume responsibility for developing the approach of the Corporation to matters concerning corporate governance and, from time to time, shall review and make recommendations to the Board as to such matters. Specifically, the Committee will have the authority and responsibility for:

   (a) periodically review the mandates of the Board and the terms of reference of its committees and recommend to the Board such amendments to those mandates as the Committee believes are necessary or desirable;

   (b) preparing and recommending to the Board periodically a statement of corporate governance practices to be included in the Corporation's annual report or information circular as required by the Toronto Stock Exchange and any other regulatory authority;

   (c) to make recommendations to the Board as to which directors should be classified as "related" directors or "unrelated" directors pursuant to any such report or circular;

   (d) reviewing on a periodic basis the composition of the Board and considering whether an appropriate number of independent directors sit on the Board, analyzing the needs of the Board and recommending nominees who meet such needs;

   (e) assessing, periodically, the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, including considering the appropriate size of the Board;

   (f) maintaining a list of potential candidates for Board membership and where appropriate, interviewing potential candidates for board membership;

   (g) to develop for approval by the Board, when necessary, an orientation and education program for new recruits to the Board;

   (h) to act as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of the Board or individual members of the Board;

   (i) to develop and recommend to the Board for approval and periodically review structures and procedures designed such that the Board can function independently of management;

   (j) review periodically the Committee's Terms of Reference; and

   (k) to review and consider the engagement at the expense of the Corporation of professional and other advisors by any individual director when so requested by any such director.

4. **Administrative Matters:** The following general provisions shall have application to the Committee:

(a) the Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation;

(b) two members of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. Meetings may occur via telephone or teleconference;

(c) any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains;

(d) members should have or obtain sufficient knowledge of the Corporation's corporate governance requirements to assist in providing advice and counsel on ongoing compliance and improvements to the Corporation's corporate governance activities;

(e) the Committee shall meet at least two times per year and/or as deemed appropriate by the Chair;

(f) if deemed necessary by the Chairman, agendas, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings;

(g) any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chief Executive Officer by the Board Chair;

(h) the Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee;

(i) the time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Committee, unless otherwise determined by the by-laws of the Corporation or by resolution of the Board;

(j) unless otherwise designated by the Board, the members of the Committee shall elect a Chairman from among the members and the Chairman shall preside at all meetings of the Committee. The Chairman of the Committee shall have a second and deciding vote in the event of a tie. In the absence of the Chairman, the members of the Committee shall appoint one of their members to act as Chairman. Notwithstanding the foregoing, in all circumstances the Chairman must be an outside director, unrelated to the Corporation; and

(k) minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.

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